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Resurgence of China and Hongkong's Cooperation

The impending liberation of all China and the subsequent national unification of the Chinese people is to be welcomed as the first step towards the rehabilitation of that great nation. The forthcoming coalition government of "new democratic" China will endeavour to promote relations with all countries and foreign nationals who are of good will and who treat China and her people on a basis of equality and reciprocity. Cultural and commercial intercourse between the new China and all foreign nations should redound greatly to the benefit of all. The cycle of distress and degradation, it is devoutly to be hoped, is turning now to its end and there is breaking the dawn of a bright future for that ancient nation which has, as a polity, lived longer than any other in the history of the human race.

The Chinese people now emerging from the fetters of feudalism, which has restrained them from developing in step with their European sister nations, still retain to this day the full features of a society based on agricultural civilisation. Such a people, by nature of the basis of their society, must be pacific and loath of adventure and aggression. The last decade was filled with misery and strife, and the good Chinese people are very sick at heart of it all; the currents of internal and external war have been running since 1911. The process of the national and social revolution has lasted for over 38 years but promising now to draw to its final end, after having erupted during the last 2½ years to unprecedentedly destructive violence. The climax of China's revolution, lasting for almost four decades, may have passed with the resignation of Chiang Kai-shek (Jan. 21) and the recent occupa-

tion of Nanking, the national capital, and Shanghai, the country's principal trading, industrial and cultural centre.

The least the Chinese people should now be able to expect from foreign governments and peoples is, if not sympathy and understanding, unbiased neutrality and the observation of equity in Sino-foreign relations. However, one notices with regret that distrust is sown by an interested and prejudiced foreign press and provocations are committed. Amidst a hostile chorus of a certain biased press and political interests, which are unable to see anything but the 'cold war' position, the new Chinese regime has shown remarkable restraint which testifies to its mature political sense.

As regards the status of Hongkong, there has been every indication that the new regime, which is composed largely of members of the Chinese Communist Party, is not proposing any change and, on the contrary, seeks close co-operation between British Hongkong and China. Both China and the entrepot of Hongkong, where over 98% of the people are of Chinese race, desire mutually beneficial and profitable commercial and financial intercourse and both discourage any outside attempts at creation of friction and misunderstanding. That eventually the question of Hongkong in relation to China may be discussed is self-evident but the matter is of no urgency and it may take 5 to 10 years before an exchange of opinions of the British and Chinese governments with regard to the future of Hongkong and, particularly, the leased territory on the mainland can be expected. The new regime of China has innumerable tasks to grapple with the successful completion of which foreign co-operation will be very important. The Chinese people stand to benefit from friendly relations with the

world at large, primarily with the industrial nations of Europe and America. It is in their own interest, as well as in the interest of the foreign powers with traditional stakes in the Far East, to promote understanding and remove causes for friction.

The security of Hongkong was never called into question save by overanxious people in London who, after a rather hysterical period of political devilry, during which Hongkong was sold short, calmed down and now have—we trust—regained the poise for which they were supposed to be fitted by nature. Measures have been taken here for the better and more complete control of internal unrest should such occur in the near future—a contingency which hardly anybody believes probable. No doubt there are hordes of bandits and pirates in the hinterland of Hongkong and these outlaws always constitute a danger to the peace and order of life here as well as in Kwangtung. With the early arrival of the Chinese People's Liberation army in the south one may reasonably expect a thorough cleaning up of the bandit outfits which, to some extent, have been recruiting their strength out of deserted Kuomintang military and naval personnel. It has been suggested, by some far-away commentators, that the Chinese People's Liberation army might create "incidents" or even attack Hongkong; such suggestions belong to the category of war mongering and provocation and therefore require no repudiation.

Hongkong has still a mission to fulfil or, better say, to continue. The cultivation of Anglo-Chinese friendship may best be pursued here and in international commerce the merchants of both nations, together with the merchants of other nations, can vie with each other for the achievement of faster progress and wider prosperity. Commerce, indeed, forms

an ideal bridge between nations and there are no greater nations of 'shopkeepers' than the Chinese and the British. Commerce brings the people together and eliminates animosity.

Hongkong has now been launched on the road of constitutional change; though this may prove to be a slow process the British Government may be depended upon to guide the local community along to self-determination. It is not altogether impossible that progressive democratic reforms in Hongkong may ultimately transform this 19th century colony into a little trading state in the Far East, a member of the Commonwealth of Nations, retaining its characteristics of a free port and an international entrepot, peopled largely by Chinese with growing numbers of European and Asian traders, serving mainly China and being sustained by the rewards of these services.

The thing always to be kept in mind as the principle of policy and action is the cooperation with the Chinese nation; the foreign attitude being equitable, sincere and benevolent, the Chinese people can be relied upon as the best friends one can find in this world.

Post-war Japan has renounced war and has been completely disarmed with her war-industrial plants levelled or converted to peacetime production. Nevertheless, over a period of a few years only Japan could, if conditions should compel her, re-erect a war industry and could become once again the Orient's most efficient military power. There are, however, no indications for such a turn in the history of Japan; the road to success and prosperity for the Japanese people is smooth and sure only as long as no adventures are contemplated and this is today understood by even the staunchest samurais who may still suffer from the injury and indignity of defeat but who do no longer visualise national *revanche* realising the vast superiority of the United States in the modern world which has conferred on this mighty nation arbitrary power in the Pacific. Prompted by the magnanimity and sincerity of SCAP and the U.S. Government, which are ever more backed by the common people in America, the majority of the Japanese have been converted to friendship and cooperation with the U.S. A disarmed Japan—spoken of as "the Switzerland" of Asia by the advocates of peace and international rule by law—must rely on the protection of a military power in case of an emergency and the sole protector can only remain the U.S. no other power, in the Far East, having adequate means or even potentialities to guarantee the inviolability of any territory in this part of the world. It is therefore only logical to expect further cementing of relations between the U.S. and Japan.

Japan, moving in the American orbit with ever greater freedom of action, will require China's cooperation without whose material resources and her enormous though still dormant market Japan's material progress would be compromised. There is no reason for China's withholding commercial dealings with Japan—provided all misgivings about the martial ambitions of Japan have been dispelled. From the point of view of the new democratic China the future of Sino-Japanese relations will be determined by the character and the composition of the government of Japan. The more truly democratic the government in Tokyo will appear to the outside world, and especially to China, the sooner and firmer will commercial and other relations between these two nations develop and expand.

For the time being, China will maintain an attitude of caution—particularly on account of the past experiences made with American interventionists in the civil war of China when misguided policy in Washington supported a totalitarian and most corrupt regime against the will of the vast majority of the Chinese people whose political desires were crystallised and defended by the Communist People's Liberation army. In recent months however, the U.S. Government has given increasing proof of a change of its policy in China; the support of

the Kuomintang was discontinued thus hastening its disintegration and collapse and neutrality was observed. SCAP in Japan has repeatedly stated that the early resumption of commercial relations between China and Japan is most welcome and necessary and that there was no objection to these relations being developed with a "red" China. Slowly the U.S. Government is abandoning its previous erroneous policy in the Far East and introducing, against violent opposition in the U.S. Senate and among prominent business interests connected with the Republicans, a policy of compromise and conciliation which angers well for the eventual recognition of the new Chinese government and the establishment of friendly relations between America and China's "New

The reservoir of good will which America possesses in China is still great, much greater than any other nation's; and similarly, although America was Japan's foe and defeated it, practically single-handed, the old wells of friendship are filling up again in Japan and there is every indication that SCAP's policy in Japan has been an undisputed success. The nature and character of America's relations with Japan and China will, to a large extent, determine the nature and character of Sino-Japanese relations.

It used to be a platitude to say, with the Japanese government before the war, that "without Japan there cannot be a China, and without China there will be no Japan", but this truism seems to have been forgotten by the men in power in both countries. Japan's ambition to create its own "Dai-toa Kyo-eiken" and organise East Asia under the principle of "Hakko I-chiu" has founded, but the seeds of Japan's quest for emancipation and a better life of the peoples living in East Asia have fallen on most fertile soil. All national and social movements in East Asia have received new impulse from the Japanese war campaign and the many visionary army officers who, while inflicting the greatest hardships on the Asians, strove for the realisation of the principles of national sovereignty, social emancipation and the dignity of the 'native'.

It is self-evident that the cooperation between China and Japan will result in the millennium of the Far East. It is up to the leaders of both great peoples to lay the foundation for this cooperation: what unites must be emphasised, what obstructs eliminated. Progress may be slow but what is important is that on both sides determined and sustained efforts must be exerted to achieve understanding and eradicate irritation. The common peoples are always friends of each other—let them decide and there will be peace and cooperation. When China and Japan will go together along the road of progress then one will be able to exclaim with confidence: *Ex Oriente Lux.*

Future of Sino-Japanese Relations

As a new China emerges which heralds the long-awaited unification of the Chinese people, the problem of Sino-Japanese relations in the post-war era must be studied from a new angle. No longer are the rulers of China the dictatorial Kuomintang who fomented and exploited nationalistic emotions for the furtherance of their own selfish ends, but it is the Chinese Communist Party in alliance with other democratic and liberal parties and movements which have assumed, after a victorious revolutionary war, the guidance of the destiny of China.

The war-engendered hatred has meanwhile subsided but there is still, in China, a smouldering feeling of antipathy and extreme suspicion about the future policy of Japan. The growing industrial strength and the surpassing resilience of the Japanese people is generally felt as a potential threat to Chinese interests and these feelings can easily be fanned by irresponsible politicians, into an anti-Japanese movement. But the true interests of the Chinese and Japanese people will be served best by paving the road towards unreserved cooperation.

Liberation of Shanghai

On the 25th of April, another historic date in China's modern history, Shanghai was liberated from the misrule and exploitation of the Kuomintang. After the "defenders" of Shanghai staged a delaying action battle of which one can only say with the French general *c'est magnifique mais ce n'est pas la guerre*, the victorious People's Liberation army, in its usual unassuming and highly disciplined manner, entered the metropolis of China which was, to all intents & purposes, intact and undamaged. Prior to the commencement of the Liberation army's offensive which every Chinese knew was bound to lead to the rout of the KMT soldiery, the propaganda in Shanghai shamelessly broadcast about the determination of the "High Command" to fight to the bitter end promising that the Shanghai battle will be a second Stalingrad and that the counter-offensive had started. Just one day before the People's Liberation army entered the KMT authorities staged—it is hard to believe but it is a fact—a "victory parade" in Shanghai. The military commanders, secret police agents, KMT stalwarts absconded meanwhile. To cap their innumerable misdeeds in the past, the KMT police terrorised the population during the short period of siege and publicly, in streets and thoroughfares, shot to death silver coin dealers and other "criminals" apart from a large number of Communist suspects. These victims of the KMT terror were shot in the nape of the neck after they had been bound and thrust, face downward, on the crowded streets. Most revolting pictures were circulated of this massacre. The depredations and felonies committed by a depraved soldateska are only now coming to light.

At last, the hour of liberation struck for the citizens of Shanghai and a new page in the history of Shanghai opens. A great future lies before Shanghai, the commercial, financial and industrial centre of China. The oppressions and frustrations of the past shall now be forgotten and the mind and heart be turned to the tasks of the present. The nightmare is over.

Accelerated Reconstruction in Japan

Since the lifting of the ceiling on Japanese production and the termination of reparation deliveries by Japan to the ex-belligerents, announced by SCAP on May 12, the beneficial effects of this important decision are already becoming apparent. A new vigour is discernible in Japan's industrial life and the optimistic spirit felt everywhere in Japan has become compelling. Some opposition is being voiced by especially the Philippine government and Chinese Kuomintang spokesmen have also indicated their extreme disappointment. Irrespective

of such opposition the Japanese people are now forging ahead in the determined effort to raise industrial output and become once again the Orient's principal trading nation.

It is an illuminating sidelight that in the Philippines the politicians who were siding with the Japanese occupation authorities in 1942-45 and holding government positions in what was then described a puppet government of the Philippines are now trying a political come-back with all chances for a success, while at the same time present government members in Manila rail at the American decision to build up Japan and suspend reparation payments. The Philippines have been receiving munificent assistance from the U.S. and the current programmed help for the new Republic is of such magnitude that it should preclude any lamentations in Manila for Japanese reparations. In any event, these protestations have no effect whatsoever as in the case of the Chinese Kuomintang who also has been showered with American gifts, donations and loans of the never-never type. The British and Commonwealth governments have taken the SCAP decision with grace although looking somewhat sullen. Several Commonwealth governments, especially India, have supported the U.S. in their realistic and logical decision to contribute their utmost to see Japan progress even faster than has been the case during the trying post-war years.

In our editorial of May 18 (*Progress in Japan*) we stated that "the American action deserves fullest approval everywhere" and to judge from overseas press reports there is growing understanding in most countries for the American decision of May 12 which is more and more hailed as a measure of great foresight and courage in the true sense of American tradition.

Our correspondent in Tokyo informs us that the export plan for the year beginning July 1, 1949 has now been elevated to an amount of US\$635 million against US\$375 m. for the 12 months ending June 30, 1949. The great expansion of future Japanese exports can only be realised by full operation of all available manufacturing industries and the progressive modernisation of factories in an economy now freed from the threat of reparations and of throttling of the high spirit of enterprise so prevalent in Japan.

News-letter from Japan.

Our correspondent in Tokyo reports on current developments in Japan as follows:

Although it was suggested at the conference held by the Far Eastern Commission recently in Bangkok that Japan's textile industry would in all probability play a less important role in industry in the future, it is now predicted that actually more than half of the estimated export figure will be in

textile and cotton fabrics; Silk will come second and raw silk third. Other exports will include machinery and metal products amounting to an estimated value of US\$134 million, bicycles roughly US\$22 million, vessels US\$30 million, and metal manufactured goods and mill products US\$24 million.

The question of Japan's textile industry is interesting and though of vital importance to Britain, reports are somewhat contradictory. For some time it was assumed that the United States administration would assist Japan's textile industry to get back to its former position. This caused considerable anxiety and speculation in Lancashire, but latterly the feeling is gaining ground that there is at present little prospect of Japan's textile industry being in a position to compete in overseas markets and that in fact, Japanese manufacturers have found it more profitable in some instances to sell spindles abroad than to use them in Japan itself. There is also the statement voiced at Bangkok that Japan's textile industry would not play the important role in the future it had done in the past, and yet again we are told that half of next year's exports in value will be textiles.

A great deal has been heard of the American edict to halt further removal of Japanese plants as reparations, so that it is not necessary to enlarge upon that point here. Criticism and disappointment have been voiced from various countries but naturally the Japanese themselves are highly elated. It has also emphasised the U.S. policy of hastening Japan's economic recovery as speedily as possible, and in view of the general acceptance of this policy the veto on further reparations has perforce been acquiesced in. Up to date roughly about 30% of the transfer to cover reparations has been effected. These totalled US\$23,879,000 and have been allocated as follows: China US\$13,524,000; Netherlands US\$3,014,000 and the United Kingdom US\$2,480,000.

That Japanese relations with other countries are fast reaching normalcy is indicated by the fact that the plan drawn up and presented to SCAP for approval includes the establishment of some ten Government trade offices abroad at a total cost of roughly US\$4.8 million. These offices, which would undoubtedly be very valuable in stimulating Japan's trade, would at first be established at San Francisco, New York, London, Calcutta, Johannesburg, Buenos Aires, Hongkong, Singapore, Karachi, Sourabaya. That Hongkong has been chosen is another proof of the importance of this Colony in Far Eastern trade, especially at the present moment when China is still internally disturbed.

The Agricultural Department in Washington recently predicted that Japan was again becoming a world competitor in canned fishery products. Japan used to supply Europe with

large quantities of canned salmon, pilchard, tuna and crab meat at extremely low prices and there are evidences that she will soon be in a position to do so again.

As has frequently been noted, Japan is assiduously seeking trade pacts with her former trading partners. Treaties have already been signed with most of the leading countries, and now negotiations are under way to sign trade pacts within the next few months with Mexico, Germany and Turkey.

Trade with China has perforce been at a standstill, but efforts are being made by Japanese communist leaders to realize a barter agreement between the two countries, China to export soya beans and soya bean meal and coal in return for goods not yet specified. Coal from China would assist, as the coal situation in Japan has deteriorated on account of a number of strikes which have held up production with no immediate prospect of improvement. It had been estimated by the U.S. authorities that Japan mines should be able to produce 42 million tons during the 1949-50 fiscal year. This, in view of the setback, is hardly likely to be accomplished, therefore the suggestion of coal from China is being viewed with favour. Japan's trade with China during 1948 totalled roughly US\$7 million, most of which was in imports.

Removal of British Controls

The removal of an elaborate system of controls from Britain's consumers and manufacturers since the beginning of this year has greatly changed the scene in Britain. One can now walk into any store and buy clothing, household linen, blankets and so on, without having to hand over ration coupons. Many other products, including boots and shoes, were already deregulated in a previous "bonfire of controls". And yet there has been no rush to spend. Retail sales have not been increased and traders are more anxious about keeping up sales than about obtaining supplies. They have their own explanations of these events. Some say that taxes are too high; others say that consumers are waiting for lower prices. The truth is that rationing was removed just at the moment when the tight financial policy of Sir Stafford Cripps had gained control over inflation. The two things have to be looked at together. A year ago it was generally agreed that there was "too much money chasing too few goods." One could, of course, expect production to increase; and it did increase substantially all the time. But what Britain could not afford in her international position was to offer the expanding supply of goods to her own people. Exports were given first priority.

This decision to keep down consumption at home and force goods into the export trade has been drummed into the ears of Britain's people for so long that it begins to sound trite. "Austerity" is not a popular word. But the fact is that the policy was firmly applied and completely successful. The "Economic Survey for 1949" gives the Government's estimate that domestic consumption of goods and services, after allowing for price changes, was almost exactly the same in 1948 as in 1947. For the current year it is expected to rise only by about 2½ per cent. So long as money was abundant, consumption of a large range of articles was controlled by rationing; and many other commodities were, in fact, rationed by various types of control or allocation schemes applied at the level of the manufacturer. Now the people have had over a year of deflationary finance. A huge budget surplus of revenue has been collected by the Government. In direct and indirect taxes or duties the State has withdrawn from the incomes of persons and businesses several hundred million pounds more than it has put back in the form of Government expenditure. What was left over has been used to extinguish public debt. This drain on private finances led at first to an increased use of savings and capital. By now the adjustment of lower incomes has been made and large inroads have been made into capital, both by private individuals and by business firms.

It was on this point of the financial squeeze that the Government decided to stage the "bonfire of ration books and controls." The timing was correct. The artificial restraint of paper forms has been safely replaced by the traditional restraint of money. In industry the removal of many allocation controls has been welcomed mainly for the lightening of paper work. The most recent killing of controls alone was estimated to do away with 1,000,000 forms a year. It has been possible to reduce clerical staffs, both in Government departments and in business firms. That is substantial gain, but more important is the revival of flexibility in the industries concerned. Ever since the early part of the war—for nearly 10 years—British industry has had to run along grooves firmly laid down for it. The controls tended inevitably to judge the rights and claims of each firm according to its performance before the war. And though this danger has long been recognised and the controllers have tried hard to release industry from the "1938 pattern," some rigidity has remained. In many cases the firms in a particular line of business resist the allocation of scarce raw materials to newcomers so long as they themselves are kept short, because they feel they could make efficient use of more materials themselves. This has been one of the most serious post-war problems of British industry, and it is by far the most important effect of the recent decontrolling policy that it goes some way towards restoring industrial flexibility.

EXCHANGE & FINANCIAL MARKETS

US\$ Market

As is almost invariably the case in Hongkong, rates of TT New York follow the gold market. If the demand for gold, coming mostly from China, is on the decline—as a result of temporary saturation or less panic about domestic conditions—or a state of oversupply is reached—as a result of too optimistic appraisal of the offtake capacity of the Chinese—prices here and in China will drop. Gold and US\$ being interrelated, the demand for free funds in New York will then also ease off with subsequently lower gold crosses and TT New York quotations.

During the latter part of April and almost the whole month of May there was, in addition to the usual investment demand for gold, heavy buying both of gold and, to a lesser extent, funds in America as a consequence of the lack of confidence by many Chinese in the stability of the local currency. This state of affairs was brought about by the local Government's ill-advised ban on gold dealings and possession which action most unfavourably influenced especially public opinion in Kwangtung where considerable hoards in HK\$ were converted into gold, and as this movement gained more momentum in the course of a few weeks many Hongkong holders of deposits of the hot money type followed suit.

The confidence crisis has not yet been allayed although a more sober attitude vis-a-vis the HK\$ is now observed both in the Colony and in Canton. Nevertheless, there is continued suspicion about the sincerity of Hongkong Government in dealing with economic matters affecting the population most vitally. As however Government has refrained from taking any action, under the extended prohibitions contained in the revised Defence (Finance) Regulations of April 14, Chinese popular opinion is changing for the better and there is evidence that confidence is slowly being restored.

During the last 2 weeks there has been a veritable run on the HK\$ and many flight capitalists rushed into industrial gold conversion without heeding the price. Their heavy investments caused the virtual collapse of the HK\$ on the open US\$ market as all imports of gold have to be paid in US\$. The locally available free funds were soon exhausted so that the supply was left to the arbitrage who brought into Hongkong from overseas markets (against selling of sterling of the so-called sterling area account type) large amounts of US\$. But demand for industrial gold (which means TT New York at the same time) continued with insistence and although the local quotations for .900 fine gold and unofficial TT New York were continually boosted, buyers could not be discouraged.

The panic had to run its course and after record sales were effected without hitch but at enormously inflated prices the buying pressure fell off; thus, last Friday (May 27), the break in the price spiral occurred which markedly reduced the rush of buyers. The steep advance of the previous 1½ weeks has been brought to an end but there is as yet no sign of a return to normalcy. Rates are still excessive and out of proportion with overseas free market prices; after the break of last week the lowest sterling cross rate was US\$ 2.54 while the gold cross rate came to US\$ 59½, figures which are still unparalleled anywhere.

Last week's highest & lowest rates (in HK\$): US notes 880—650 (crosses 1.818—2.46), DD 810—610, TT 860—630 (equalling cross rates at the sterling/HK\$ parity of 1s. 3d. of US\$ 1.86—2.54). On the unofficial market HK\$100 sold at US\$15.87 highest, and 11.62 lowest.

In overseas free markets area account sterling was quoted between US\$2.65 to 2.95. The antics of the local market caused a worldwide weakening of unofficial sterling rates, a development which proved that unofficial sterling is more vulnerable than was previously realised.

Demand for TT New York came mostly from industrial gold importers and dealers who purchased from them. These people not only had to cover US\$ spot commitments but many were also buying forward. Others settled their overdrafts secured earlier from native banks against, on the average, 1 percent. interest per month. After gold importers and dealers, who account for the by far largest percentage of purchases of free US\$ funds, came the flight capitalists (largely of recent arrival in Hongkong), stragglers behind the earlier column of determined Cantonese who did not trust the HK\$. These wealthy people with nothing but hot money preferred to increase their nest eggs in the U.S.

Merchant demand, on the other hand, was almost nil as rates were far too high to warrant purchases in America. The question whether the rate of open market US\$ will eventually return to the previous level (of about \$533 per US\$ 100, or a sterling cross of 3) is engaging the most eager attention of importers as from its answer the future dispositions of a large number of traders, and therefore the retail market and cost of living here, will depend. A pessimistic appraisal of the free US\$ price position has however been in evidence as many importers, dealers, wholesalers and retail shops refused to

sell larger quantities of American goods (or other hard currency countries' imported commodities). It is anticipated that for some considerable time to come there will be a much higher free market US\$ rate than ruled here prior to April 14, and consequently imported goods which have to be financed in US\$ will cost more in terms of HK\$. Firms which hold back their stocks from sale justify their conduct by stressing the fact, as is always done in time of monetary inflation, that replacement cost will probably be 20 to 30 percent higher and current sales of previously imported American merchandise at the old prices would constitute a loss of capital.

Sellers of US\$ funds were recipients of family remittances from Chinese overseas and these amounts were seasonally increased (Dragon Boat Festival, June 1). Exporters were selling larger proceeds as recent shipments to the U.S. and the Philippines, on account of the appreciation of the US\$, had sizably increased. Bangkok merchants, as usual, frequented the local market but the largest single source of supply was derived from foreign US\$ holdings (negotiated by the arbitrage).

It was supposed that one or two British banks sold US\$ to the market in a move to support the HK\$ rate but whatever sales were finally traced to such banks could only be ascribed to the compradore department's direct businesses. The peculiarity of the functioning of a Chinese style banking section in all foreign commercial banks must be fully appreciated before one jumps to any conclusion identifying the actions of a particular compradore (chief of the Chinese business department) with the management of a foreign bank. Many compradores transact large business in co-operation or competition with the prominent native banks here who dominate the unofficial exchange market. It is through these compradore departments that all commercial banks operate or are able to operate in the free exchange market of Hongkong.

US notes were again imported in large volume as the difference in the rate for notes and TT moved between 2 to 3 per cent. Easy profits could be made by airfreighting into Hongkong US notes, selling them against TT and cashing in on the premium. Over US\$ 1 ¼ million in notes were

sold last week. Some native banks sold notes against a premium of HK\$1,500 per every US\$10,000.

The heavy decline in the local sterling/US\$ cross rate had some beneficial effects on British export business. A well-organised, intricate unofficial exchange market takes care of buying of area account sterling at the lowest crossrates (at present in Hongkong) and offering them to the highest bidders (currently in several European capitals and in New York). From the first seller of sterling outside London but transferable into a U.K. resident account, to the last buyer of this sterling against US\$, there is usually a chain of brokers and arbitrageurs. Their art brings rich returns but their services are of great value. Buyers of area account sterling, paying US\$ for such purchases, do so because they are able to import British goods which can be paid for, partly, in such sterling. A British manufacturer, for example, may be agreeable to invoice, say, 75 percent of the actual export value of his merchandise while the rest, sometimes even a premium, will be paid directly to the manufacturer by his foreign buyer. Thus British exports find easier markets abroad but the Treasury obtains a smaller amount in foreign currencies or sterling from the account of the importing country in question. From a strictly Treasury point of view a "lcsc" in exchange is involved in such transactions but taking the broad view and considering the position of British manufacturers and exporters the underinvoicing in foreign currencies while actually obtaining full value in sterling (if not even a little over) is a measure calculated to promote the presently somewhat sluggish British export drive.

Industrial Gold Market

Business was last week conducted outside the Gold & Silver Exchange as the Committee of the Exchange suspended trading following the incessant increase in price and demand for local hoarding in the previous week. Towards the end of last week sessions were already held inside the Exchange building but official trading was only to be resumed as from May 30.

The highest & lowest prices per .900 fine tael were \$595 and \$414 (corresponding to \$655—\$455 per .99 fine tael, and crosses per oz of US\$62³—59¹/₂).

A price reaction set in during the latter half of the week which brought prices down to a somewhat lower level. The lower prices were caused by (1) impossibility to export at current world record prices of Hongkong, (2) increasing stocks in Macao, increasing arrivals here from Macao, saturation of local hedgers, (3) drop in demand in Kwangtung with Canton oversupplied by direct shipments from Macao — via Chungshan where the authorities facilitate the traffic, (4) more reasonable appraisal of the political situation, appreciation of the Chinese Communist regime, discounting of rumours of attacks on Hongkong, expected rapprochement

HONGKONG OPEN MARKET RATES

per US\$100

| May | Notes | | Drafts | | T.T. | |
|-----|-------|------|--------|------|------|------|
| | High | Low | High | Low | High | Low |
| 23 | 8.80 | 7.50 | 8.10 | 7.15 | 8.60 | 7.40 |
| 24 | 8.20 | 7.64 | 7.75 | 7.40 | 8.00 | 7.50 |
| 25 | 8.07 | 7.81 | 7.70 | 7.52 | 7.80 | 7.60 |
| 26 | 8.08 | 6.85 | 7.35 | 6.55 | 7.75 | 6.80 |
| 27 | 7.07 | 6.50 | 6.80 | 6.10 | 6.90 | 6.30 |
| 28 | 6.84 | 6.55 | 6.65 | 6.30 | 6.70 | 6.30 |

of Chinese Red-British authorities, (5) rumours: British banks to support HK\$ by selling US\$, by allowing registered gold dealers to import 300 taels each, by offering to the market all confiscated gold, by lifting the gold ban within a few days, (6) tight money position which developed after HK\$ resources were rather recklessly expended on hoarding of bullion, merchandise and foreign exchange.

Ornamental trade had heavy business as buying by common people continued in spite of all-time record price at the beginning of the week and the break in the price spiral towards the end. The price reaction caused the temporary closure of business at the Macao Gold Exchange as all forward positions had to be cleared prior to entering into new contracts.

Canton's Gold Exchange followed Hongkong and closed for the whole week, resuming business as from May 30. Canton banks and financiers buy in Hongkong and sell in Canton as a well-tried formula of hedging; Canton prices exceed Hongkong's while forward interest is always in favour of sellers (in Hongkong being the reverse). This time the hedgers in Canton lost; as Hongkong's Exchange closed, to obviate heavy losses to its members, and arbitrarily fixed a set-off price at \$470 (per .900 fine tael), the Canton Exchange did the same fixing \$560 (per .99 fine tael) as the rate for clearance of outstanding contracts. The losers in Canton had to pay \$40 per fine tael, the profit being made by the buyers.

Overseas prices reacted strongly to the high local gold cross rate which topped last week 62½, the highest registered in the Colony's history. While in early April gold was available in fair quantities at US\$44 to 45 fob port of shipment these rates advanced in line with Hongkong and Macao reaching during the last fortnight up to 51. Cif Macao and cif Saigon quoted around 55 and 52 respectively. Arrivals in Macao were heavy and large lots are en route. Though the very high price of industrial gold in terms of HK\$ may appear at the moment not entirely without reason, the present gold cross rate is unjustified and a drastic reduction should be not long in coming.

BUSINESS IN INDUSTRIAL GOLD

Following the gold ban the Hongkong Gold & Silver Exchange Society ceased trading in .99 fine taels after April 14, remained closed during the ensuing Easter holidays, and reopened for business on April 21, introducing .900 fine taels as trading units, calling them industrial gold. As there were no .900 fine taels available in the market transactions were based on industrial gold

Opening, closing, highest and lowest prices per industrial gold tael of .900 fine from the opening of trading on April 21 to May 28 (prices in HK\$):

| Week | opening | closing | highest | lowest | crossrate | in US\$ |
|-------|---------|--------------------|--------------------|--------------------|-------------------|-------------------|
| | | | | | high | low |
| April | | | | | | |
| 21/23 | 299 | 320 ^{1\2} | 322 | 299 | 51 ^{1\2} | 50 ^{1\2} |
| 25/30 | 320 | 368 ^{1\2} | 379 ^{1\2} | 319 | 55 | 51 ^{1\2} |
| May | | | | | | |
| 2/7 | 360 | 364 ^{1\2} | 374 | 353 ^{1\2} | 55 ^{3\4} | 54 ^{1\2} |
| 9/14 | 362 | 362 ^{3\4} | 368 | 354 | 54 ^{3\4} | 53 ^{1\2} |
| 16/21 | 367 | 472 | 480 | 367 | 58 | 54 ^{1\2} |
| 23/28 | 477 | 432 | 595 | 414 | 62 ^{3\4} | 59 ^{1\2} |

Highest and lowest rates per .99 fine tael in 1947, 1948 and first quarter of 1949 (one tael equals 37.7994 grams), and highest and lowest equivalent rates per industrial gold tael adjusted to .99 fineness for the months of April and May 1949. Rates in HK\$. Cross rates per troy oz in US\$.

| year | 1947 | 1948 | 1949 | per tael | | crossrates | |
|----------|------|------|------|--------------------|--------------------|-------------------|-------------------|
| | | | | high | low | high | low |
| January | | | | 405 | 254 | 57 ^{1\2} | 44 |
| February | | | | 372 | 282 ^{3\4} | 54 ^{3\4} | 45 ^{1\2} |
| March | | | | 316 ^{1\2} | 295 ^{1\2} | 50 ^{1\2} | 48 |
| April | | | | 320 | 296 | 50 ^{3\4} | 47 ^{3\4} |
| May | | | | 314 ^{1\2} | 302 ^{1\2} | 49 ^{1\4} | 47 ^{3\4} |
| | | | | 407 | 311 ^{1\2} | 55 | 49 |
| | | | | 654 ^{1\2} | 388 ^{3\4} | 62 ^{3\4} | 53 ^{1\2} |

but delivery was made in .99 fine taels; every 10 taels called one 'ping' were treated as 11 taels of .900 fineness. Subsequently, industrial gold was produced to satisfy the demand of the ornamental trade and conform to the regulations of Government.

Spot business was conducted inside the Exchange and so was forward business (mostly fictitious, for margin clearing only). Interest per tael of .90 fine was daily fixed by the Committee of the Exchange and all other regulations of the Exchange and trading practices continued as before.

Interest on the forward market, with one day's exception at the end of April which was one HK cent in favour of sellers, remained always favouring buyers. On a few trading days no interest was fixed. The highest daily interest per industrial gold tael was 67 HK cents in favour of buyers; during many days high interest rates of 54 cents seemed the rule, signifying the heavy demand by buyers which drove up the price to unprecedented peaks.

Turnover of industrial gold on the spot market was as follows:—week ending April 28: 25,000 taels, week ending April 30: 58,000, week ending May 7: 34,000, week ending May 14: 28,000, week ending May 21: 42,000, week ending May 28: 33,000; making a total of 220,000 taels of .900 fine.

Forward contracts were on the average as large as in the preceding months, all now being based on industrial gold; the majority being transacted outside the Exchange, between native banks, clients etc. The weekly average of forward positions left open were, for the last 6 weeks (April 21—May 28): 110,000 taels, 133,000 taels, 175,000 taels, 146,000 taels, 165,000 taels, 0 taels (as in the week ending May 28 only a curb market operated no forward business was conducted).

Imports into Hongkong during the last 6 weeks aggregated approximately 10,000 taels from Manila, and 190,000 taels from Macao. Undeclared re-exports during the last 6 weeks were unusually small, viz. 74,000 taels of which

about 1,000 taels were shipped to Siam, 1,000 to Singapore, 5,500 to Formosa, and the rest to China. During the last six weeks the local ornamental gold trade absorbed about 30,000 taels of .99 fine.

Unofficial Exchange

Bank of England notes reached last week the peak at \$18.70 when the open market TT New York jumped to over 800. Shipments of pound notes to New York were a highly profitable proposition as the free American market paid between US\$3.07 to 3.10. It would appear imprudent that American travellers before going to the U.K. purchase pound notes at so high a price when funds in London (U.K. resident account sterling) were offered around 2.75 to 2.85. However, for smaller requirements, though cumulatively such amounts pile up, it is more convenient to carry a supply of pound notes on oneself when enjoying a holiday in Britain. The surprising thing is that the supply of pound notes in free markets never dries up in spite of the prohibition in Britain to export more than £5 per person. Last week's lowest price here was \$17^{1\2}.

Australian pound notes quoted from \$14.20 to 15.60 an altogether preposterous price in view of the fact that transfers to Australia are freely granted at the official rate which is \$13 only. There is however a free bank note market operating in the U.S. where Australian notes, just as with British pound notes, fetch a price in US\$ which makes buying here and shipping to New York a profitable business as long as the US\$ quotes as high as at present. New Zealand notes quoted \$15^{1\2} and South African notes \$16.20. Very little business is done in these latter two pound notes.

Canadian dollars sold between \$5.80 to 6.60, notes, and \$4.80 to 5.60, drafts. The New York market discount on free Canadian dollars was slightly over 5%.

Malayan currency was in strong demand with prices from \$1.84 to 1.89, but drafts fetching, by grace of arbitrageurs, much higher prices at transfers to Singapore were sought after (uncontrolled remittances from Singapore to London command the same or about the same unofficial market premium as do Hongkong transfers to London). Many Chinese financiers were, moreover, anxious to redirect their local funds to Singapore regarding that colony as more secure than Hongkong. Persons connected with the inner core of the Kuomintang were reported in native bank circles to have remitted Malayan \$30 million to Singa-

pore during the last two weeks. Considerable amounts of Chinese flight capital have already earlier accumulated in Singapore and new transfers will, though on a smaller scale, continue to be made from here.

Peso notes were traded from \$3.10 to 3.99. Indian rupee notes from \$1.16½ to 1.18½, Burmese rupees from \$0.76 to 0.78, Ceylonese rupees from \$1 to 1.02.

Piastres were during the earlier part of last week the object of heavy speculation as the gold market was temporarily suspended and no other suitable counter was available among the members of the Exchange. Fluctuations followed the US\$ rate. Highest & lowest price per 100 piastres \$17 and \$12.90. Nica guilders went up to \$42 but with the reactionary price decline of the US\$ came down to \$36½. Baht notes ruled very firm at \$28½ to 29½ per 100 baht.

In Macao HK\$ notes went down to 63 patacas but recovered at the close to 72. In the local market the highest & lowest pataca price was \$1.53-\$1.38.

Official Exchange Market

On May 25, the Hongkong Exchange Banks Association lowered the official rates again reaching the lowest possible banks' selling price for sterling at 1/2-13/16 (spot and forward, no penalty being enforceable on forward sales). The official buying rate was equally lowered to 1/2-29/32 TT and 1/2-15/16 DD. The new US\$ rates are 24¾ b., 25-1/16 TT, 25½ DD selling.

Heavy outward remittances caused the lowering of the rate. Some commercial banks were already selling at 1/2-25/32 but since the 3 note issuing banks are selling at the official rate there should have been no need to buy 1/32nd worse.

The Hongkong & Shanghai Bank's over the counter selling rates, for smaller amounts, were adjusted to new levels as from May 25: London and New Zealand 1/2-13/16, Australia 1/6-3/8, Singapore 52½, India 82½, USA and Canada 24¾. Manila 49%, Batavia 65%, France 6750, Switzerland 106½. The London/New York cross rate remained at 4.02¾-4.03¼. Bangkok and Saigon quoted only nominal.

US notes are purchased by Exchange Association banks at 25% (for the purpose, inter alia, of opening L/Cs on New York) which rate includes postage and insurance. This rate has recently remained unchanged. Merchants who sell US\$ drafts obtain 1/16th better rate.

As was stated in our last issue, the lowering of the official rates was unfavourably received here although it is appreciated that the banks do not want to serve especially the requirements of the arbitrageurs at the best rates. Exports to the sterling area may find at the present high sterling price some stimulation while on the other hand purposeless capital transfer to London may be discouraged. The lowering of the official HK\$ rate vis-a-vis sterling amounts to 0.837% (the previous selling rate which remained unchanged for the last 3½ years was 1/2-15/16; on May 17 it was first lowered by 1/32nd and on May 25 by another 3/32nds).

Comparative Exchange Rates in Hongkong.

Official and unofficial exchange rates for the first five months of 1949, opening rates (TT, banks' selling) for the months January through May.

Pound sterling: official rate remained unchanged at 1/2-15/16 (1/2-27/32 for small amounts); unofficial rate was in Jan. through March 1/3-51/64, in April 1/3-19/32 and in May (opening) 1/2-29/32.

Australian pound: official rate unchanged at 1/6½ (smaller amounts 1/6-3/8); unofficial rate from Jan. to March unchanged at 1/6-13/16, in April 1/6¼, in May (opening) 1/5-25/32.

New Zealand pound: official rate unchanged at 1/2-15/16 (smaller amounts 1/2-27/32), unofficial rate Jan. 1/5-3/8, Feb. 1/5-25/64, Mar. 1/5-25/32, April 1/4-29/32, May 1/4-35/64.

Malayan dollar: official rate unchanged at 52-7/8 (smaller amounts 52-5/8), unofficial rate Jan. 56, Feb. 55½, Mar. 55½, April 55½, May 55.55.

Indian rupees: official rate unchanged at 82-3/4 (smaller amounts 82-3/8), unofficial rate (month's opening) Jan. 105, Feb. 100, Mar. 92, April 92.16, May 90.09.

U.S. dollars: official rates unchanged at 24-15/16 (smaller amounts 24-7/8), unofficial rates (month's opening) Jan. 20, Feb. 19.45, Mar. 19½, April 19.06, May 16.129.

Indonesian guilders: official rate unchanged at 66, unofficial rate Jan. 27, Feb. 312, Mar. 317, April 305.81, May 303.951.

Indochina piastre: official rate Jan. to April 386, May 400; unofficial rates Jan. 750, Feb. 860, Mar. 920, April 1036.36, May 917.431.

Siamese baht: official rate unchanged at 365, unofficial rates Jan. 415, Feb. 410, Mar. 408, April and May 416.666.

Chinese Exchange

The new currency of China which will soon gain nation wide circulation is the People's Bank dollar (yuan) issued by the new central bank with provisional headquarters at Peiping. The Bank of China, Tientsin, is the state bank authorised to deal in and control transactions in foreign exchange. The official exchange rates as established periodically by the Bank of China in consultation with the private foreign and Chinese banks in Tientsin were last week: PBS167.74 per HK\$1, PBS1040 per US\$1, and PBS 2683.84 per Pound sterling. (The HK\$

AGREED MERCHANT RATES OF H.K. EXCHANGE BANKS ASSOCIATION

(In force 25th May, 1949.)

| Sterling | Maximum Selling 1/2 13/16 | Minimum Buying |
|-----------------------------------|------------------------------|--|
| Sterling (East & South Africa) | 1 2 13/16 | 1/2 29/32 T.T. 1/2 15/16 O.D. 1/2 31/32 30 d/s 1/3 60—90 d/s 1/3 1/32 120 d/s |
| (West Africa & West Indies) | 1/2 13/16 | 1/3 O.D. if under L/Credit 1/3 1/16 O.D. without L/Credit 1/32nd up every 30 d/s |
| Rupees (India) | 82 1/4 | 1/3 3/16 O.D. if under L/Credit 1/3 1/4 O.D. without L/Credit 1/32nd up every 30 d/s |
| Rupees (Rangoon) | 82 1/4 | 83 1/4 T.T. 83 1/2 O.D. 83 5/8 7 & 30 d/s 83 3/4 60 d/s 83 7/8 90 d/s |
| Rupees (Aden) | 82 1/4 | All buying rates 3/16th higher than India. |
| Malayan dollar | 52 9/16 | 83 7/8 O.D. if under L/Credit 84 O.D. without L/Credit 84 1/2 30 d/s & 60 d/s |
| U. S. \$ and Canadian \$ | 24 3/4 | 53 3/16 T.T. & O.D. 53 5/16 30 and 60 d/s |
| Australia | 1/6 3/8 | 25 1/16 T.T. 25 1/8 O.D.—30 d/s 25 3/16 60—90 d/s |
| New Zealand | 1/2 13/16 | 1/6 13/16 T.T. 1/6 7/8 O.d. |
| | | 1/3 1/16 T.T. 1/3 1/8 O.D. |

N.B.:—No penalty to be exacted on forward sales except for sales on Australia which should be governed by the rates quoted by Australian Correspondent Banks.

crossrate was 620 per US\$, and the US\$ crossed 2.58 per sterling, following developments on the Hongkong open market).

As a result of continued war operations and slowly expanding foreign trade the foreign exchange value of the PB\$ declines but this deterioration is relatively slow. Domestic prices are not rising in the same proportion as exchange rates go up, on the contrary essential commodities show a downward trend.

Rewmittances to Tientsin were quoted here last week in foreign currencies with native banks charging 2½% commission. TT Shanghai came to a temporary halt prior to and immediately after the liberation of the city. Remittances will however be resumed soon even before ocean and air communications are restored.

In South China, only foreign bank notes and silver coins circulate; the use of HK\$ notes has expanded although many hoards, previously in the form of HK notes, were converted into gold. All financial and commercial market quotations in Canton are in HK\$, the former "gold" yuan having completely disappeared.

Hongkong effects remittances to China in terms of precious metals and foreign currencies; TT Swatow, mostly in HK\$, was last week quoted slightly in favour of Swatow as overseas Chinese family remittances to East Kwangtung were heavy; TT Amoy, mostly in US\$, at par and at reduced volume as a result of direct dispatches of US notes and drafts from Manila and from Singapore (where heavy purchases of unofficial market US\$ by Malayan Chinese caused the Malayan dollar to slump); DD Canton rates were in favour of Hongkong as the Chinese city required more Hongkong notes for general circulation (Hongkong supplying these days the full paper currency needs of large parts of Kwangtung) and for financing of gold imports into South China.

In Formosa, the Bank of Taiwan severed its connection with the Central Bank of China and the island thus obtained 'financial sovereignty.' However, Formosa is rigidly controlled by the Kuomintang's CC clique so that the virtual expulsion of the Central Bank of China is meaningless as far as the native population is concerned.

Silver Markets

The market here followed the trend on the industrial gold and US\$ markets. Prices dropped from the record levels attained at the opening of the week. Highest & lowest rates (in HK\$):—bars 5.15—4.60 per tael, HK and Mexican dollar coins 5—4, Chinese dollar coins 8.40—6.30, 20 cents coins 4.80—4.40.

Imports exceeded exports by about 5000 taels (imports approx. 20,000, exports 15,000 taels, all of which in coins). Shipments to Canton were few only as Canton was oversupplied and, on the other hand, the 'black market' mints were finding it difficult to circulate larger numbers of coins due to closer supervision. In the guerilla controlled areas of Kwangtung silver dollars, HK\$ and the own local scrip circulate side

by side; the rural population prefers Yuan Shih-kai silver dollars (many of which are counterfeit although their silver content is the same as in the old 'big heads', the counterfeitors making their profit from selling their coins at the same premium over the silver content as is commanded by the genuine Yuan Shih-kai dollars).

The Bank of Mexico was trying to interest Canton to import silver coins but this proposal seems to be unrealistic seeing that the new Chinese regime will not agree to a return of silver as legal tender but will enforce the adoption and nationwide use of the People's Bank yuan. In due course the silver coins, of whatever old or new, Chinese or foreign mints, will again disappear in the farmers' treasure troves, return to the ornamental trade and be exported to countries which find use for this metal in the manufacturing industries.

* * * *

Hongkong Currency Notes

At the end of April 1949 the circulation figure of Hongkong currency notes as issued by the 3 note-issuing banks amounted to \$880,952.687, an increase of 3% over March. Although during the end of April many millions of HK\$ from Canton and other cities in Kwangtung were returned to Hongkong where part of it was converted into gold and US\$, the note circulation did not decrease but still expanded. A lower figure is however expected for the end of May as a result of the flight of capital from Hongkong.

Banknotes in circulation as at the end of March, end of December 1948 and end of December 1947 were respectively \$863.2 million, \$783.2 m., and \$675.1 m. The April figure represents an increase of 15% over end of 1948, and 31% over end of 1947.

In April the bank note issue of the Hongkong & Shanghai Banking Corp. aggregated \$814,376,790, followed by the Chartered Bank and Mercantile Bank with respectively \$62,821,882 and \$3,754,015. As regards the figure of the Hongkong & Shanghai Bank note issue it is the highest in this institution's history. On the other hand the issue of the Chartered Bank has slightly receded from \$63,065,618 in March to \$62,821,882 in April, while the note issue of the Mercantile Bank which was prewar around \$5 m. is now only around \$3½ to 3.8 million (in April \$3,754,015).

FINANCIAL REPORT FROM FORMOSA

(From Our Correspondent)

BANKING SYSTEM IN FORMOSA

Under the Japanese administration, though more than half of industrial investment was supplied by Japan, the native financial organization in Formosa still maintained an important position in the development of industry. The Bank of Taiwan, similar to foreign national banks, was the central bank of Formosa and dominated all commercial banks. During their ex-

pansion period, the Japanese, for purpose of expanding financial control of the Island, strengthened the power of this Bank to reach into South China and the Southern Pacific. By the time the financial influence of the Bank of Taiwan was strong enough to control financial life in Formosa, the surrender of Japan terminated it. There were pre-war three commercial banks and a savings bank which had their head offices in Formosa, and there were also branch offices of the Nihon Kangyo Ginko and the Sanwa Ginko. There also was an industrial bank called Sangyo Ginko and several small trust companies. Most of these banks were managed by Japanese staffs except for a commercial bank and a small trust company.

When in 1945 Formosa was taken over by the Chinese, the position of the Bank of Taiwan was much promoted because bank shares which had been possessed by Japanese were confiscated and gathered into the portfolio of the Bank. Moreover, import of capital has been interrupted since 1945, and thus the Bank of Taiwan had become the main source for loans and advances.

Under the Chinese rule the other banks were reorganized: three commercial banks namely: the Commercial Bank of China & Southseas, the Industrial Bank of Taiwan, and the Commercial Bank of Chang Hua were established succeeding the former three commercial banks, while the branches of the Kangyo Ginko were succeeded by the Taiwan Land Bank, and the Sanwa Ginko and the Taiwan Savings Bank were merged into the Bank of Taiwan. The Sangyo Ginko was taken over and reorganized as the Associated Bank. These five banks, though nominally independent, have been completely manipulated by the Bank of Taiwan, because more than half of their shares were held by it. Accordingly, the Bank of Taiwan has controlled the commercial banks, while these commercial banks controlled a number of small credit unions which are scattered in the Island.

From the standpoint of its influence, the financial system of Formosa, even under the corrupt and inefficient KMT regime, is still in good order. However, it is a pity for the people that they could not find ways to resist the financial oppression, as the Bank of Taiwan is managed by aliens who have only their own interests to promote. The direct responsibility for the vicious inflation must be placed on the Bank of Taiwan although the policy makers were and are the CC-clique in the KMT.

INFLATION IN FORMOSA

There is no doubt that the accentuated inflation is due to the enormous credits given to the Government enterprises by the Bank of Taiwan. This is admitted by the Bank management who claim that they could not resist Government demands for money. Recently, two remarkable measures have been applied by the Government. One was to order the commercial

banks to close their trust departments, the other to prohibit the circulation of bankdrafts of these commercial banks. The reason was that the rising commodity prices were understood to be the result of speculation by the trust departments, while bankdrafts of the commercial banks had accelerated the process of inflation. It is nevertheless contradictory that the drafts of the commercial banks were prohibited while more than 3 billion of banknotes have been issued day after day. The 5,000 and 10,000 Yen bankdrafts of Taiwan have been withdrawn from circulation, while 1,000,000 Yen bankdrafts have been issued since May 17th.

As regards to speculations of trust departments, there is a certain foundation. For, unless having a bank as his financial backing nobody could speculate on so large a scale as to push up the market prices of all commodities. Nevertheless, speculation was secondary only while inflation policy of the Bank of Taiwan was positive in creating and speeding up the vicious inflation.

The above two restrictive measures will fail to stop the inflation, but are bound to accelerate the financial difficulties of these commercial banks. In the process of inflation, deposits of banks, though increased in figures, have been curtailed greatly in comparison with their purchasing power. Interest, which was the principal source of banks' income, could not

keep step with the rising commodity prices. Bankers try to enlarge their credit reserves in order to keep their enterprises going and for this purpose bankdrafts were circulated to cover the shortage of cash on the one hand, while on the other trust departments were highly developed to lend large sums of money against commodities as security. Therefore, by this government prohibition, commercial banks will encounter more serious financial difficulties so long as inflation is proceeding.

FOREIGN CURRENCY MARKETS

From May 1st to 15th, there were no great changes in gold and foreign currency markets. For example, the price of free market gold was 11 million Yen per tael at the end of April, and rose to 12 million on May 5th, 13 m. on May 10th and 13½ m. on May 15th. For the US Dollar, the rate was 175,000 Yen per US\$1 on April 30th, rose to 180,000 on May 5th, 210,000 on 10th, and 215,000 on 15th. The Hongkong dollar was 26,000 yen on April 30th, rose to 28,000 on May 5th, 32,000 on May 10th, and has kept the same price up to this moment. It was chiefly because of the devaluation of the HK\$ that its price has kept comparatively stable in Formosa.

HK\$ cross about 670 per US\$; gold at about HK\$430 per tael or US\$ 52½ per oz.

Registration of Private & Public Companies in Hongkong in 1946, 1947, 1948 and the first quarter of 1949

| Year | | | | | | | | | | | | | | Totals | | |
|-------------------------|-----|--------------|------------------|------------------|--------------------|--------------------|------------------------|------------------------|--------------------------|--------------------------|--------------------------|----------------------|----------------------|-------------|--|--|
| | Nil | Under 10,000 | 10,000 to 49,999 | 50,000 to 99,999 | 100,000 to 499,999 | 500,000 to 999,999 | 1,000,000 to 4,999,999 | 5,000,000 to 9,999,999 | 10,000,000 to 24,000,000 | 25,000,000 to 49,999,999 | 50,000,000 to 99,999,999 | 100,000,000 and over | Numbers of Companies | Capital \$ | | |
| Year 1946 | 6 | 7 | 12 | 20 | 115 | 69 | 95 | 24 | 12 | 4 | 6 | — | 370 | 955,834,919 | | |
| Year 1947 | 9 | 3 | 12 | 14 | 116 | 43 | 75 | 9 | 12 | 2 | — | 1 | 296 | 494,014,500 | | |
| 1948 Jan. | 2 | — | 1 | 1 | 4 | 1 | 7 | 1 | 3 | — | 1 | 1 | 22 | 392,070,000 | | |
| .. Feb. | 1 | — | — | — | 2 | 2 | 4 | 1 | 1 | — | — | — | 11 | 23,216,656 | | |
| .. Mar. | — | 1 | 1 | — | 5 | 3 | 7 | 3 | — | — | — | — | 20 | 74,190,200 | | |
| .. Apr. | — | — | 1 | — | 8 | 4 | 7 | 2 | 1 | 1 | — | — | 24 | 70,240,000 | | |
| .. May | 1 | — | 1 | 1 | 5 | 5 | 8 | 1 | — | — | — | — | 26 | 19,380,000 | | |
| .. June | 1 | 1 | — | 1 | 2 | 5 | 4 | — | 1 | 1 | — | — | 16 | 53,920,100 | | |
| .. July | — | — | — | — | 3 | 3 | 2 | 2 | 1 | 1 | — | — | 12 | 64,250,000 | | |
| .. Aug. | 1 | — | — | — | 6 | 2 | 6 | 3 | — | — | — | — | 18 | 26,040,000 | | |
| .. Sept. | 1 | — | 1 | 1 | 3 | 5 | 2 | 1 | — | — | — | — | 14 | 11,130,000 | | |
| .. Oct. | — | — | 1 | — | 8 | 2 | 6 | — | 2 | — | — | — | 19 | 30,200,000 | | |
| .. Nov. | — | — | 1 | 1 | 4 | 3 | 4 | 1 | — | — | — | — | 14 | 14,140,000 | | |
| .. Dec. | 2 | — | 2 | 1 | 10 | 2 | 3 | 1 | 1 | — | — | — | 22 | 25,350,000 | | |
| Total | 9 | 2 | 9 | 6 | 60 | 37 | 60 | 16 | 10 | 3 | 1 | 1 | 214 | 804,126,956 | | |
| .. Jan. | 1 | — | 1 | — | 6 | 4 | 9 | 3 | 1 | — | — | — | 25 | 49,220,000 | | |
| .. Feb. | 1 | — | — | — | 5 | 3 | 5 | 2 | 1 | — | — | — | 17 | 39,210,050 | | |
| .. Mar. | — | — | 1 | 2 | 6 | 6 | 6 | 1 | 1 | — | — | — | 23 | 35,370,000 | | |
| Total 1st quarter, 1949 | 2 | — | 2 | 2 | 17 | 13 | 20 | 6 | 3 | — | — | — | 65 | 123,800,050 | | |

Hongkong Stock & Share Market

End of the slump; return of confidence; conspicuous price advances — these are the features of last week's share market performance. Further improvement in the tone of the market was encouraging news all over Hongkong. Buyers came out with sellers at the same time the selling pressure eased off and, in a number of counters, eventually stopped entirely.

All-round confidence in the able and orderly Communist authorities who have now taken over Shanghai is played and more shareholders are getting around to the idea that Hongkong will not be threatened by anybody. The end of the slump has been seen, the recovery of losses is at hand and gradual appreciation of shares to prices commensurate with the companies' earning power & performance and profit distribution can now be expected.

The inflated "red" bogey is all but blasted which has been evidenced by the eager interest shown in Shanghai stocks, especially Ewos, Lands and Docks which not only advanced spectacularly in price but also registered very heavy sales (14,760 Ewos, 15,000 Shanghai Lands, 17,100 Shanghai Docks). No doubt, China experienced operators and investors realise that under the new regime the future of Shanghai will be prosperous and that investments in Shanghai are safe.

With the "China situation" now being appraised with more logic than for many months past, the general picture here brightened and new capital ventured forward. The decline of the HK\$ value in terms of industrial gold and US\$ also had something to do with the renewed interest in securities but this was only a contributing factor.

Buyers were during several days very insistent; sales of some of the popular counters registered record figures e.g. Trams 32,520, Electrics 19,811, Lights old 28,520, new 49,765 (proving in the latter case that small investors were entering the market in force), Hotels 23,300, Providents 8,900, Docks 5,800 etc. Many profit-taking transactions were of course partly responsible for the big turnover of last week, the highest for any week this year. A few shares went up as much as 60% while some local favourites improved, from the lowest point of the previous week, by 30 to 40%. These price advances appear very substantial but they represent nothing but a long delayed and highly overdue return to more reasonable levels.

Volume of Business: Total sales reported amounted to 295,934 shares of an approximate value of just over \$524 million, the highest weekly volume for 1949, and an increase of \$3 million compared with the preceding week.

Price Index: — The Felix Ellis averages based on the closing prices of 12 active representative local stocks closed at 129.98 for a net gain of 3.54 compared with the close of the previous week. Day-by-day his averages were: — May 23, 128.79; May 24, 128.43; May 25, 127.59; May 26, 128.52; May 27, 129.98.

Hongkong Commercial Markets

It is true that the excitement manifested recently in all markets subsided somewhat last week, but this was not because the situation had rectified itself in fluctuations of the Hongkong dollar vis-a-vis gold, but simply because merchants cannot live at a high pitch of excitement for an indefinite period, it is too bad for business. Consequently the market as a whole for the period under review was quieter. In some cases there was even a decline in prices following a slight drop in the US dollar TT rate.

The liberation of Shanghai by the Communist armies did not affect the situation as much as might have been expected, possibly because of the relief felt at fighting being over in that area and the confidence that there would shortly be an opportunity for

the various cotton mills and other enterprises to resume work again. With the resumption of shipments from the northern city, prices in Hongkong which at present are abnormally high are bound to fall somewhat; the present situation is unnatural and hits both sellers and buyers.

Foresight and elasticity are both needed to cope with the new developments in trade with North and Central China, and it is fortunate that the merchants of Hongkong possess these in large measure, but the uncertainty in regard to the local dollar and the difficulty of fixing a medium of exchange when forbidden to trade in gold, puts an added burden on their shoulders which they should not have to bear.

Meanwhile stocks are being held in Hongkong ready to send to the north as soon as shipping can be resumed, and it is much to be hoped that the new regime will not take too long to make the necessary arrangements for commercial dealings with the outside world. Shanghai will otherwise face a crisis, as it seems that the Shanghai Power Company has only enough coal to last for another two weeks and without it the wheels of industry will cease to move.

Import Quotas to the U.K.

The Board of Trade announcement of the new quotas for goods to be imported into Great Britain from Hongkong will be welcome to manufacturers in the Colony. The following imports will be permitted: straw mats £40,000, twisted sea grass cord £24,000, buttons £180,000, torch bulbs £20,000, torch cases £10,000, toys £10,000, hurricane lamps £5,500, napery and linen £5,000. This will help to adjust the unfavourable trade balance against the United Kingdom, which last year amounted to HK\$225.8 million (£14 million) — imports for 1948 amounted to \$300.9 million and exports to only \$75 million. The quota for rubber shoes has not yet been fixed, as the question of Imperial preference is still pending in view of the fact that local makers use more than the permitted amount of non-British materials in the manufacture of these articles. At the moment, rubber shoe makers are marking time, awaiting the announcement of the quantity to be imported into Great Britain against winter orders.

Trade with North China

The restoration of cable facilities between Tientsin and Hongkong has done much to encourage trade with North China, and large shipments have been made of paper, tyres and tubes, dyes, stuffs, chemicals, medicines, etc., in exchange for beans, bristles and other North China produce. So far there is no sign of any alteration in the method of carrying on trade except by means of barter.

| | High | Low |
|------------|--------|--------|
| 1947 | 155.82 | 123.88 |
| 1948 | 148.68 | 134.05 |
| 1949 | 138.37 | 125.05 |

Business Done:—

BANKS: — H.K. Banks @ 1560, 1570, 1580, 1575, 1565, 1575, 1590, 1600, 1630; Bank of East Asia (@) 115.

INSURANCE: — Cantons (@) 330; Unions @ 650, 655, 650, 690.

DOCKS & GODOWNS: — H.K. & K. Wharves @ 120, 125; North Point Wharves @ 7, 7½, 7, 6¾, 7; H.K. Docks @ 20, 20¼, 20½, 20, 20¼, 21, 21½, 22; China Providents @ 12¾, 16.60, 12½, 12.30, 12½, 13½, 13¾, 14; Shai Docks @ 7.30, 11.

HOTELS & LANDS: — H.K. Hotels @ 12½, 12¾, 13, 13.30, 13¼, 13.10, 13, 12¾, 12.80, 12, 12.20, 12.40, 12½, 12.80, 13, 12.70, 12.60, 12.80; Lands @ 54, 53, 51; Shai Lands @ 3½, 3.70, 3.60, 3.40, 3½, 3.60, 3.50, 3.55, 3.60; Humphreys @ 11.

UTILITIES: — Hongkong Tramways @ 16.80, 17½, 17¾, 17.60, 17½, 17¾, 17½, 17.20, 16¾, 16½, 16¾, 16½, 16½, 16.70, 17, 17½, 17.65, 17.50, 17.30, 17.20, 17½, 17.80, 17.90, 18, 17.80; Star Ferries @ 100; China Lights (Old) @ 13.80, 14, 14½, 14.10, 14.20, 14.40, 14½, 14½, 14.20, 14, 13¾, 14, 13.80, 13¾, 13.60, 13, 13.20, 14, 14.80, 14½, 14.30, 14.40, 14.20, 14.30; (New) @ 10, 10½, 10¼, 10½, 10, 9¾, 9½, 9.60, 9½, 9.30, 9, 9.20, 9.40, 9½, 10, 10½, 10, 10.90, 9.60, 9.70, 10.10, 10.40, 10.30, 10.40; H.K. Electrics @ 33, 34, 35, 35½, 35½, 33½, 34¾, 34½, 34½, 34, 33¾, 33½, 33, 32.50, 33.50, 34, 34¾, 34½, 34, 34½, 34¾, 34½, 35, 35½, 35½, 35½, 36; Telephones @ 21, 21½, 22½, 22, 23, 22½, 22, 22½, 22½, 22½, 23,

INDUSTRIALS: — Caldbecks @ 28; Cements @ 25½, 26, 25½, 26, 25½, 25, 25½, 26, 26½; H.K. Ropes @ 16, 16½, 16¾, 16½, 16, 16.50.

STORES: — Dairy Farm @ 34, 35, 36, 36½, 35½, 34¾, 35, 34.50, 34, 35, 36, 35, 37, 37¾, 38; Watsons @ 43, 47, 45½, 45, 44½, 45, 47.50, 48.

COTTONS: — Ewos @ 6, 6.10, 6.40, 5½, 6.30, 7.40, 8, 8.40, 8½, 8.70, 8.60, 9, 8.80, 8.60, 8.80.

Central & South America

"It's an ill wind that blows nobody good" seems to be applicable in regard to the present currency situation. As a result of the low rate for the Hongkong dollar against the unofficial US dollar TT rate, local manufacturers are making a bid to capture more of the South and Central American trade, as they are able to make quotations that notwithstanding the high customs duties in these countries are able to eliminate competition from other fields while yet providing profitable to the manufacturer. For January/February this year imports from Central American countries amounted to HK\$138,484 while exports totalled \$521,021; imports from South America came to \$464,670 and exports to \$602,033. Flashlight bulbs, torches and batteries, small textile wares, needles, enamelware, cutlery, rubber shoes, toys, matting, etc., should find an increasing market.

Tin Exports

Exporters of China "off-grade" tin are anticipating increased shipments to the United States as a result of the relaxation of import controls. Private firms in future will be able to import such tin freely into the U.S., although import licences will still be needed for finer grades. Until now private purchases of tin have been prohibited under Government tin and supply and price controls. The Chinese off-grade pig tin of 99.65% or less cannot be used for tin plating by the canning industry, but is useful for typemetal, solders, or other uses where pure tin is not essential.

China Imports of Foreign Goods

The National Government of China, now in Canton, has recently made certain changes in the control of imports and exports. According to a statement issued by the Canton office of the Central Bank of China, all foreign currency earned by exporters in China will be allowed to be used for the import of foreign goods, provided that a small portion of such foreign currency will have to be utilised for the needs of the Government. The quota & licence system for imports is consequently abolished.

In its actual working out, this regulation has proved rather hampering to importers in Canton, the complaint being that too large a percentage is taken by the bank for the needs of the Government. However, with only a short while more to live, all regulations now made or scrapped have little practical value. Attention is now only focussed on trade policies of the new Chinese People's regime, at present at Peiping.

Hongkong Exports to U.S.A.

Declared exports at the U.S. Consulate, Hongkong, of musk from Hongkong to the United States in the first 2 months of 1949 amounted to 85 pounds, valued at US\$8,655. Flower-water exports in the same period totalled 40 pounds, with a value of US\$59.

Declared exports of essential oils during the first 2 months of 1949 consisted of the following types: Cassia, 5,040 pounds, valued at US\$7,133; aniseed, 183,000 pounds (\$121,418); camphor, 4,000 pounds (\$673); and ho, 1,152 pounds (\$1,276).

Declared exports of crude drugs during the first 2 months of 1949 included the following items: Rhubarb, 6,720 pounds, valued at US\$3,138; galangal root, 22,400 pounds (\$1,002); and agar, 50 pounds (\$121). Exports of medicinals include menthol, 9,000 pounds (\$65,568), and "Chinese medicines," 63,914 pounds (\$84,093). Exports of gum asafetida were 1,792 pounds (\$268).

Wheat Flour Stocks in Hongkong

By the end of last year Hongkong's stocks were 1654 long tons, a low figure compared to the monthly averages of flour stocks for 1947 and 1948 at 3767 and 3448 tons respectively. The October 1948 stocks amounted to 3587 tons.

Coal Stocks in Hongkong

The April stock position was as follows: bituminous lump 26,526 long tons, bit. dust 20,847, anthracite dust 3649, gas coal 1607, coke 330, a total of 52,959 long tons. The monthly average for the first quarter 1949 was 58,704 t, and the monthly average of 1948 was 87,298 t. Current stocks are low especially of lump and gas coal. As however supplies are easy there is no need to carry larger stocks.

Industrial Chemicals Market

The trend is upward as the unofficial TT New York rate remains high. The slight decline in this rate last week is insufficient to bring about lower wholesale prices, besides there is no assurance that the open market US\$ rate will not again move to higher levels. In the majority of imported chemicals American manufacturers still hold an important position from which they cannot be ejected as long as British and other European suppliers are not capable to compete with U.S. quality. However, as long as the open market rate for US\$ remains so excessive as at present, importers and dealers will naturally turn to cheaper products provided that the quality is similar and shipment is prompt.

As on other commodity markets in Hongkong, the liberation of Shanghai was regarded by merchants as a very welcome development; now one can look with confidence into the future of trade relations between Shanghai and Hongkong. As yet shipping communications have not been organised but this is a matter of a few more days only. The volume of business is bound to increase which should stimulate foreign imports into Hongkong.

Business with North China is proceeding smoothly. Still, communications leave much to be desired. Freight rates remain excessive which shipping companies excuse with the fact that the turn-about in Tientsin is around two weeks, necessitated as it is by the rather slow barter trade mechanism. Cables can now be dispatched to North China

which is bound to have a most welcome effect on business generally.

Bright Liquid Gold. Market price continues to increase. Hanovia 28 gram bottles were sold up to \$36 per bottle, and the double key brand about \$34.

Bleaching Powder. 70% chlorine 130 lb drums USA origin was sold \$1.40 per lb for small lots. However, the 35% chlorine is rather dull in the market.

Caustic Soda. Solid form 700 lb drums USA origin was sold up to \$1.62 per drum. However, Crescent brand 672 lb drums were down to \$1.70 per drum. New purchases would stimulate the market again. Flake form 400 lb drums sold at 30cts. per lb.

Sulphur Powder. Although inquiries are quiet, yet stock is not large. The price is firm about \$28 per picul for USA origin 100 lb paper bags.

Zinc Oxide. Transactions improve. Japan make in 50 kg metal drums is short in stock, but other packing is plentiful. Price from 56cts. to 65cts. according to packing and with or without export permit.

Soda Ash. As higher price for USA make, buyers turn to buy ICI products at cheaper prices. 90 kg crescent brand dense sold \$42 per bag, 70 kg light at \$28. 90 Magadi brand at \$38 per bag.

Extract of Mimosa. Many buyers for this item by exporters for Tientsin, otherwise the market would come down. In the past week several hundred bags Elephant brand 1 cwt bags were sold at \$72.50 to \$73.50 per bag.

Extract of Quebracho. Crown brand 105 lb bags now down to \$36 per bag. Half a year ago it was sold up to \$120. This material comes from South America, and is also used for tanning leather and for tanning Chinese pongee (manufactured near Canton). It is not so popular as mimosa sold in North China. As the indent price is about \$90 per bag, it is anticipated that the price will not come down much more.

Bichromates. Potassium salt granular form and sodium salt were well sold at downward prices. Potassium bichromate granular from \$1.05 to \$1.12 per lb, and sodium bichromate 400 lb fibre drums USA origin from 87cts. to 95cts. per lb. Small lot sodium bichromate of South Africa origin 500 lb drums was sold at 92cts. Potassium bichromate of crystals Italy origin 100 kg wooden barrels around \$1.45 per lb.

Borax. 100 lb paper bags continue to increase. Odd lots were sold up to \$22 per bag. ICI 112 lb burlap bags were sold at \$45 per bag.

Citric Acid. Both granular and crystals from stock are not much. English origin 1 cwt drums crystals was sold at \$1.32 per lb, whilst granular is about \$1.20 per lb. Fair business resulted.

Sodium Bicarbonate. Inquiries increase. As New York exporters offer 100 lb burlap bags at about US\$4.10 per bag cif, now sellers here ask \$25 per bag being still below their cost. However, buyers seem unable to pay up to this figure, so they turn to

buy Crescent brand 100 kg bags at \$38 per bag. As the stock of USA origin is not much, if substantial business has resulted, the price for ICI product would advance.

Dinitrochlorobenzene. This is a dye-stuff intermediate. Its chief use is for the manufacture of sulphur black. Recently there is some demand perhaps coming from North China, but counteroffer is not over 70cts. per lb. whilst sellers ask 85cts.

Red Iron Oxide, 50 lb wire tied mouth paper bags USA origin is about 90 cts. per lb. Although some inquiries on the market, yet no substantial business heard of.

MBT Rubber Accelerator. The market becomes active. 100 drums business done. Vanderbilt 200 lb. fibre drums at \$1.75, English Monsanto 224 lb metal drums at \$1.80 per lb.

DPG Rubber Accelerator. Business only done in small lots. Price from \$1.85 to \$2.00 per lb. according to brands and quantity.

Mercury. Sudden demands stimulate the market up to \$610 per picul.

Phenol. Market is active, but price at standstill at \$1.08 to \$1.12 per lb. Some indent orders booked two months ago for Australia origin as low as 89 cts., but the date of arrival is uncertain. If these shipments can reach in time, demands will level off, otherwise the market anticipates to advance due to gradual shortage here.

Red Amorphous Phosphorus. 110 lb. Canada origin now raised to \$255 per case whilst that of France origin is \$265. Both in tight supply position.

Potassium Chlorate. Market is upward as heavy demand from North China. 200 lb. metal drums USA origin 75 cts. per lb. whilst 50 kg. Finland origin wooden case is 66 cts. The cheapest is German make 150 kg. metal drums 62 cts. per lb. only.

Shellac. Superfine quality \$405 per picul. Smaller business has resulted.

Gum Arabic. Egypt origin 100 kg. bags bead form is about 50 cts. per lb. This item has been quiet over two months. Now some inquiries have excited the merchants.

Vaseline. Snow white quality sold at 41.5 cts. per lb. for a considerable quantity. But market still not upward, as consuming season has passed.

Sodium Sulphide Solid. USA origin sold several tons at \$335 per long ton. Market is weak, but cannot be regarded as downward, as it is supported by US dollar rate.

Boric Acid. 100 lb. paper bags USA origin was sold at 39 cts. per lb. only. Small quantity has been contracted.

Ammmonium Chloride. 250 kg. wooden barrels Poland origin was sold \$600 per long ton for a few tons.

COMMODITY MARKETS

Piece Goods

The piece goods market continued to be influenced by the low value of the Hongkong dollar against the US dollar TT rate on the unofficial market, and prices rose abnormally, the process being helped by reports that supplies would be unobtainable from Shanghai for some time as the mills had stopped operations and also that stocks were getting low in Canton. Gold merchants

having temporarily suspended dealings turned to speculate in the piece goods market, but were caught by a drop in prices following a similar fall in the US dollar rate. Sales were effected of over 10,000 pieces. Manila was the only steady foreign purchaser of piece goods, the rate of exchange being in favour of such dealings, but under the circumstances sellers were unwilling to push their goods. Siam and South Africa made small purchases.

Mammoth bird grey sheetings, which started at \$44 per piece, rose to \$53 but fell later to \$51.50 and closed again at \$51 and \$49.80; other grey sheetings rose and fell in the same way. Tsin Leung Yuk white cloth started at \$48.75, but fell in the middle of the week to \$50, closing at \$52 and \$49.50. Camelia white cloth for a time remained more or less steady around \$50, but finally fell to \$48.50. Double golden tael black cloth was offered at \$56 and rose to \$59, but ended at \$53. Yu Tai fetched \$46, golden cup sold at \$50. Drills sold at \$44 and \$45 for running dog and \$49.50 for mermaid brand. Tsin Leung Yuk purple cloth was offered at \$53 per piece.

Cotton Yarn

In contrast to piece goods, the cotton yarn market was very quiet, with sellers holding back. Uncertainty existed as to whether the liberation of Shanghai would cause further stocks to be sent to Hongkong from Canton and elsewhere in China. An improvement at first was followed by a decline in prices all round: double horse 20's fell from \$1430 to \$1400 per bale, red vulcan from \$1330 to \$1300; blue phoenix 32's fell from \$1740 to \$1710 and others followed suit.

Woollen Piece Goods

Large orders have been placed in Great Britain for winter woollen piece goods at an indented price of about the same as last year; the c.i.f. Fiongkong value works out at \$25/\$30 per piece. A good market is expected for the winter.

Gunny Bags

Keeping up with the US dollar rate seemed to result in a scramble where gunny bags were concerned, and heavy cees (Indian) 29 x 43 x 2½ lbs. green stripe (new) starting at \$3.65 rose to \$4.25 each, 20,000 bags being sold. Later, with a slight drop in the US\$ exchange rate, the price fell to \$3.90 each. At the end of the week sellers offered at \$4.10 but buyers counteroffered with \$3.50. Exports to South Africa are still found to be profitable, notwithstanding the fluctuations in price, and an arrival of 600 bales was soon taken up for South African requirements. In view of the strict prohibition in India against the dispatch of gunny bags to South Africa and the small quota allocated to China and Hongkong, it is practically impossible to effect shipments on a large scale to South Africa. The indent value in India has risen to Rs. 255 c.i.f. Hongkong from the previous price of Rs. 245.

Metals

Information that trade with North China was increasing steadily aroused interest on the part of metal dealers and helped to offset the depression caused by the chaotic conditions in China generally. A shipment of about 500 tons of galvanized wire was despatched to North China, which included G18 to G22; and prices rose with this purchase: G8 to G12 fetched \$55, G6 and G7 were offered at \$57 and \$58 per picul, G14 to G16 stood at \$54, G18 to G22 sold at \$65, these being the most in demand. Sellers, however, expected even better prices, the above figures showing a loss against exchange. The news that Shanghai had fallen to the communist armies without serious damage to the industrial plants gave a stimulus to the market, and prices rose with signs of renewed activity. Zinc sheets G6 rose to \$114 per picul, G5, to \$135, G4, G7 & G8 increased in price by \$10 per picul. On the other hand, Belgian mild steel plates showed a fall in prices with large stocks on hand and no exports. Siamese buyers had been out of the market for some time and the only prospect at the moment was Macao: 1/32" fell to \$57 per picul, 1/16" to 3/32" dropped to \$53/\$54, 3/8" and 1/2" stood at \$54/\$55. An arrival of over 100 tons of Belgian galvanized corrugated roofing iron sheets was soon taken up, particularly by local construction companies: 3 x 8 ft. G26 sold at 61 cents per lb and large sales were effected at 59 cents, G28 was offered at 88 cents and G24 at around 55 cents—these prices yielded a good profit. About 1000 tons of G1 hoop wire (British) arrived against orders placed some months ago; competition from local factories, however, made it impossible to raise prices and the wire was sold at a loss: G1 3 1/2" sold at \$40 per picul, 1/4" at \$42, 5 1/16" to 3/8" at \$41/\$42, 1/2" to 5/8" at \$40. US steel hoops fell in price with the arrival of fresh supplies: G25 1/2" to 5/8" fell to 70 cents per lb and G27 1/2" to 5/8" dropped to 90 cents per lb. Rustless steel for use in refrigerators rose in price with the seasonal demand: G24 3 x 8 ft. fetched \$5 per lb, 3 x 10 ft. rose to \$5.10. Wire nails were inactive with Canton buyers out of the market: old stock Belgian 1 1/2" to 3" in drums of 250 lbs was offered at \$47 per picul, Czechoslovakian wire nails dropped to \$46, Polish wire nails remained at \$46 but without sales. Japanese middle specifications were in demand by smugglers. Australian rolled brass sheets rose in price with lowered stocks, but had no sales. British brass sheets, shipments having been received, were in demand from local torch case manufacturers: 8 oz quality selling at \$225 per picul, 10 oz to 12 oz being offered at \$215 for forward delivery—the indented value was \$1.65 per lb. Japanese 14 x 18" rolled brass sheets being inferior in quality failed to come up to requirements: G5 to G8 stood at \$175 per picul, G9 to G11 at \$170, ex-godown was offered at \$180. US tinplates and tin waste rose steadily, following the unofficial US dollar rate; the market was very active: tinplates in 180 lb cases 20 x 28" rose to \$120 per case, whereas 200 lb cases fell

to \$130 and tonnage packing dropped to \$127; in waste 10 x 102 200 lbs rose from \$91 to \$98 per case and inferior quality to \$96.

Glass

The glass market was in a depressed state; buyers from Siam and Manila had taken their hands off for the time being, shipments in China were badly curtailed, and large quantities of Japanese glass had arrived with no immediate prospect of sales: Belgian 200 sq. ft. 16 oz sold at \$113 per case, an improvement on earlier prices, and 18 oz rose to \$69; French glass rose to \$68; Swiss glass 100 sq. ft. 16 oz was offered at \$34 and 18 oz at \$33, but transactions were few.

Cement

There was a steady demand for cement on the part of buyers from Macao, and shipping into Macao was active. Japanese 100 lb bags ex-godown sold at \$4.90 and forward delivery was booked at \$95 per ton; Indo-China red & black dragon brands in 1 cwt bags stood at \$5.80 while 94 lb bags were sold out; Formosan cement was offered at \$5.70 per 1 cwt bag and forward delivery was quoted at a lower price of \$102 per ton; Danish white cement Bates brand dropped to \$14.50 per 1 cwt bag with forward delivery at \$250 per ton; Green Island "emerald brand" stood at the official price of \$6.50 per 112 lb bag, and "snowcrete" white cement in drums of 375 lbs nett was quoted at the regular price of \$55 per drum.

Paper

The paper market began to see signs of renewed activity with the news that further reductions in price by manufacturers abroad were unlikely. Buyers from North China as well as from Manila were in the market for wood-free, tissue and MG ribbed kraft (brown). With the liberation of Shanghai by the communist forces buyers

were heavily in the market, anticipating an early opportunity to ship supplies to that liberated city. Shanghai was badly in need of different kinds of paper having been deprived of supplies since military operations had started. In the past about 60% of the exports from Hongkong went to Shanghai and the reopening of this market was eagerly awaited.

Woodfree printing paper 70 lbs white stood at 72 cents a lb, MG ribbed kraft 48 lbs 35 x 47 (brown) sold at \$24.50 per ream while 47 lbs 33 x 47 (white) fetched \$24.20; tissue paper sold at \$15.50 per ream for 14 lbs 25 x 44" and \$16 for 18 lbs 31 x 43"; Ecusta brand cigarette papers 29 mm 6000 m sold at \$19.50 per bobbin and some sellers insisted upon \$21; but at this price very little was done. Newsprint in roll, on the other hand, dropped to 33.5 cents per lb for 31" and to 32.5 cents for 43"; newsprint in ream also fell from \$18 to \$17.50 per ream for 50 lb weight. Large stocks in hand and the expectation of further arrivals made sellers willing to dispose of their goods even at less than the indented cost.

China Produce

All kinds of vegetable oils, affected by the high US dollar exchange, rose abnormally in price: Tungoil with export permit started at \$142 per picul, rose to \$150 for a quantity of 100 drums and ended at \$153.50; without export permit started at \$139.50 and rose to \$142 and \$152 per picul. Tea-seed oil 4FFA first sold at \$184 for 70 drums, but the price rose almost immediately to \$191 for a sale of 20 drums and then went to \$199 per picul. Rape-seed oil with export permit was offered at \$135.

A supply of West River ramie new crop was placed on the market and went well, 100 piculs sold at \$180; Sze-chuen ramie was offered at \$158 per picul and Yuen Kiang white hemp at

\$150 but neither had any sales. Aniseed star, Nanning 1st quality, was offered at \$61 per picul and Tung Hing, Kwangtung, sold at \$58 per picul for 100 piculs. Gallnuts had no sales. Cassia whole and cassia lignea were in demand for export, and prices rose by \$5/\$6 per picul.

Beans

The bean market was active with prices remaining steady; with the Chinese Dragon Boat Festival next month prospects of sales of beans are considered good. Tientsin red beans fetched \$80 per picul, 100 bags having arrived; Changkahau green beans, 1st grade, sold at \$56, a quantity of 900 bags having been received; Shanghai black beans sold at \$63; Kiao-chow soya beans, 1st quality, fetched \$43 per picul.

Feathers

Duck feathers were greatly in demand by exporters and rose sharply, the market being very active with every sign of improvement: feathers from Siam increased in price from \$217 to \$228 per picul, those from Indo-China also rose to \$190.

Ores

Tin ingots rose considerably in price, owing to falling stocks and activity on the part of exporters, whose requirements could not be completely met. Singapore 99.75% rose to \$595 per picul and higher prices were expected. Yunnan standard with export permit fetched \$585; 97% Pat Po, Kwangsi, was offered at \$575. Offers of tin ingots without export permit were not taken up, although \$30 less per picul. Tin for soldering also fetched good prices on an active market.

Hongkong Railway Traffic

*Passengers and Freight transported on the Kowloon-Canton Railway
British section for the first quarter of 1949.*

| Monthly Average 1947 | Monthly Average 1948 | January, 1949 | February, 1949 | March, 1949 |
|------------------------|----------------------|---------------|----------------|-------------|
| Passengers: Local Nos. | Nos. | Nos. | Nos. | Nos. |
| Upward .. | 39,281 | 52,803 | 77,960 | 84,247 |
| Downward .. | 32,139 | 50,257 | 71,656 | 82,722 |
| Passengers: Foreign | | | | |
| Upward .. | 84,841 | 107,098 | 102,981 | 83,414 |
| Downward .. | 73,545 | 96,811 | 81,112 | 106,466 |
| Goods: Local | Kgs. | Kgs. | Kgs. | Kgs. |
| Upward .. | 86,840 | 71,807 | 303,030 | 104,920 |
| Downward .. | 281,832 | 148,850 | 223,140 | 240,550 |
| Goods: Foreign | | | | |
| Upward .. | 10,295,666 | 4,648,692 | 1,886,850 | 1,875,400 |
| Downward .. | 351,000 | 2,591,672 | 520,000 | 436,710 |
| Revenue: Passengers | H.K.\$ | H.K.\$ | H.K.\$ | H.K.\$ |
| Local | 65,982.58 | 89,392.19 | 130,128.40 | 133,630.40 |
| Foreign .. | 328,458.98 | 407,840.84 | 361,057.42 | 373,693.22 |
| Goods | | | | |
| Local | 3,592.30 | 1,907.96 | 4,339.45 | 3,486.05 |
| Foreign .. | 64,250.97 | 25,270.16 | 10,311.49 | 9,205.03 |
| Miscellaneous Receipts | | | | |
| | 61,539.21 | 53,314.14 | 59,191.98 | 48,660.74 |
| | | | | 73,450.66 |

Production in Hongkong

Mining Production

Clay and kaolin production for the 3 years and 2 months after the end of war until the end of 1948 (i.e. November 1945 to December 1948) totalled 19,540 tons. During the last eight months of 1948 production, in tons, was as follows: -705; 471; 98; 405; 16; 796; 726; 657. The larger part of kaolin was exported to Japan where it is used for the manufacture of pottery.

Iron Ore: Only in March, April and May 1948 was iron mined in the New Territories, totalling 908,238 tons. Largest output was in April with 432,021 tons. This year output was recorded only in February with 710 tons, and in March with 5,690 tons.

Wolfram Ore: Only 200 pounds of wolfram were mined here in 1948, all of which in October. In the current year only 400 lbs were mined (in March).

Tin Ore: Last year's tin ore production amounted to 1811 lbs. mined in October (1257) and in December (554). No mining output was reported in the first quarter of 1949.

Fluid Milk

The dairies in the Colony produced in April a total of 54,774 gallons of liquid milk. Monthly averages of milk production (in gallons) for 1947: 32,544; for 1948: 42,987; for first quarter of 1949: 52,397. There is a steady expansion both of production and consumption with the local population becoming more milk-conscious. In addition to local production there are large imports of liquid milk, evaporated, condensed, powdered milk which go to some part into local consumption.

There are several dairies in Hongkong and Kowloon the biggest and most modern one being the Dairy Farm, Ice and Cold Storage Co. Ltd.

Cement

The only local cement producer (Green Island Cement Co. Ltd.) reported output for April at 3415 tons, and for Jan.-April this year 15,901 tons. The average per month in 1948 was 4435 t. Due to heavy foreign imports and cheaper prices demanded for most imported cements local output decreased. This year's monthly average is below 4000 t, or more than 10% below the 1948 average.

NORTH CHINA TRADE

Notice to Import/Export Applicants issued by the North-China Trade Bureau

1. Index numbers of commodities should be ascertained at the Appraising Department of the Customs Office before sending in applications.

2. Unit of weight of commodities must be in metric ton or kilo. Foreign quotations in terms of catty or picul should be calculated at the rate of 100 catties (1 picul) to 60.5 kilo.

3. Unit of price in foreign currencies should be stated, such as US\$, HK\$, pound sterling, etc. The agreed exchange rate will be that reported by the Bank of China on the date of application.

4. Names, addresses of import consignors and export consignees, ports of shipment and description of goods should be stated in Chinese, with original or translation in a foreign language.

5. Quotations from foreign countries should always be marked f.o.b. or c.i.f., as the case may be; currencies and unit of weight should also be stated.

6. To serve as testimonials for the application, telegrams and correspondence from out of China will be considered valid within: 1½ months (Hongkong), and 3 months (other ports in foreign countries), as from date of despatch.

7. In applications for bartering permits, value of export goods will be calculated at f.o.b. prices, import goods at c.i.f. prices. In case of exporters desiring to have their goods estimated at c.i.f. prices, other applications for foreign exchange as freight, transportation expenses, etc. will not be permitted.

8. Method of payment for import goods should be either by L/C or by A/P.

9. Value of export goods is based on f.o.b. prices. If quotations from foreign countries were in c.i.f. terms, f.o.b. value will be calculated by deducting handling charges, freight and insurance expenses from the total amount of c.i.f. value.

10. List of import commodities may be attached to the official application form if extra space were required.

11. Applications should be in duplicate and no alterations are allowed.

12. No alteration in prices of export consignments is permitted unless approved by the North-China Trade Bureau. With Permit from this Bureau, exporters may settle the necessary foreign exchange account with the Bank of China.

13. All documents should be in duplicate.

PEIPING COMMODITY MARKET PRICES

As at May 12, 1949, in People's Bank dollars:

| | |
|---------------------------------------|--------------|
| Flour (Wan-shou-shan Brand) | |
| Wholesale | 3,900 bag |
| Retail | 4,200 " |
| Rice Wholesale | 92 catty |
| Retail | 102 " |
| Soya Bean Wholesale | 39 " |
| Retail | 46 " |
| Kao Liang Wholesale | 21½ " |
| Retail | 26 " |
| Coal (balls, Men-tou-kiu Brand) | 220 picul |
| Piece Goods (Red Five Bats Brand) | |
| Wholesale | 11,500 piece |
| Retail | 12,000 " |
| (Flying Brand) | |
| Wholesale | 16,400 " |
| Retail | 17,100 " |
| (Green Sunlight Brand) | |
| Wholesale | 11,400 " |
| Retail | 11,800 " |
| Cotton Yarn (20's San-ting Brand) | |
| Wholesale | 7,450 bundle |
| Retail | 7,550 " |
| (20's Eighty Fairies Brand) | |
| Wholesale | 7,650 " |
| Retail | 7,750 " |
| (32's Ideal Brand) | |
| Wholesale | 12,500 " |
| Retail | 13,000 " |

Bristle Dressing Process

DRY DRESSING Vs SOAKING DRESSING

(By Jeshire Shen)

Despite the kind of assortment, of stiffness, solidity, color, etc., of China's bristles the dressing of bristle can be done in two different ways. One is Dry Dressing and the other is Soaking Dressing. Hankow bristle is customarily dressed by dry process while bristles in Chungking, Yunnan and other places are dressed by soaking process.

Briefly, the Dry Process is done in the following way:—

- (1) Comb the raw bristle in dry state.
- (2) Bind with hemp cord a handful of combed dry bristle on to an equilateral trepoid wood plate. (Of 2" and 3" up and bottom width, 8-7/8" lateral length, and 1-1/4" of thickness.)
- (3) Steaming for 2-4 hours.
- (4) Dried on a hot plate.
- (5) Assorting.

The Soaking process is done in the following way:—

- (1) Soak the raw bristle in caustic soda solution of 0.25 percent concentration for at least 20 days.
- (2) Comb the soaked bristle in wet state.
- (3) Wash the combed bristle with very dilute caustic soda solution of 0.03 percent concentration, and then with water.
- (4) Dry the washed bristle under sun.
- (5) Bind on wood plate. Steaming, drying.
- (6) Assorting.

Bristles dressed by either process are marketable. But are there any differences between them?

Towels (Three Flowers Brand)

| | |
|--|-------------|
| Wholesale | 1,450 doz. |
| Retail | 1,480 " |
| Peanut Oil Wholesale | 190 catty |
| Retail | 220 " |
| Pork Wholesale | 100 " |
| Retail | 140 " |
| Mutton Wholesale | 100 " |
| Retail | 130 " |
| Chicken Wholesale | 6 head |
| Retail | 6½ " |
| Salt Wholesale | 13 catty |
| Retail | 15 " |
| White Sugar (No. 24) | 252 " |
| Refined Sugar (No. 45) | 255 " |
| Washing Soap (Ting-kwang Brand) | 3,600 case |
| Matches (Nanking Brand) | 7,100 gross |
| Kerosene (SVOC) | 65,000 drum |
| Petrol (Texas) | 74,000 " |
| Tyres (Victory Brand) | 3,620 set |
| Sulphur Blue (Kung Brand) | 76,000 drum |
| (Red Elephant Brand) | 5,700 " |
| Bleaching Powder (50 lbs.) | 5,500 " |
| Saccharine (Monsanto) | 9,200 " |
| Toilet Soap (Four in One Brand) | 1,125 doz. |
| Newsprint | 10,000 ream |

The bristle dressers in China will not forget the criticism on China's bristle given by Mr. Isidor A. Rubico, on the occasion of a conference held in Atlantic City on 31 March 1944, by American Brush Manufacturers. He declared that there are large numbers of germs and dust contamination in China's bristle; but the solidity of the goods is unqualified, especially the Hankow bristle.

By studying the two dressing processes, the writer finds the following points. The advantages and defects of these two processes will be a guide for both the dressers and purchasers to have a free choice which one they will choose.

Advantages of Soaking Process:

- (1) Lustre of the finished bristle:—

Soaking process gives a far better lustre to the finished bristle than the dry process does. The dilute caustic solution removes the grease and fat from the surface of cortex (cortical tissue) of the bristle, thus giving a better finish.

- (2) Dust contamination:—

Soaking process provides steps of washing procedure and takes off nearly all dust which is present in raw bristle.

- (3) Germs contamination:—

The dilute caustic solution serves for several purposes—degrease, plumping the flesh which attaches to the sheath of the stem of bristle, and meanwhile, an antiseptic for germs and bacteria.

The germ contamination in finished goods will be far less than that dressed by dry process.

- (4) Cleanliness of finished goods:—

The flesh attached to the stem of bristle is plumped and loosened by soaking in the caustic solution, and removed by proceeding with combing and washing. The finished goods show smooth and smaller stem, and are clean and look good; while dry process gives bigger and rough stems. (5) Cleanliness of the dressing plant and common health of workers:—

Dry process spreads a big amount of dust during working. It is harmful to workers' health. Under the present condition in China it will be too expensive to provide dedusting mechanism or air cleanser for the dressing plant. Wet working is much appreciated.

- (6) Higher percentage of solidity of the finished goods:—

It has been described that the stem of the bristle dressed by soaking process is much smaller and more smooth than that by dry process. Having been bound up, the bundle of soaking processed bristle forms a less tapered cone while the bundle of dry processed bristle forms a cone of larger bottom than the top. It results in two defects:

Firstly, the bundle is not tight and is easily loosened during handling.

Secondly, shorter bristles would have been inserted so as to make the cone

less tapered and the percentage of solidity of the bundle would be lowered.

The standard of bristle in the U.S. market is: solidity not less than 40 percent for 2" to 2-1/4", and not less than 80 percent for 2-1/2" and above. But it is almost impossible to make a 80 percent top by dry dressing. On the contrary, soaking process or wet dressing gives as high as 95 percent top.

It will be appreciated by the user to buy bristles of higher solidity.

Defects of Soaking Process:

- (1) Longer period of turning over of capital:—

It should be 20 days to 1-1/2 months for the soaking of raw bristle, in contrast to a straight run and instantaneous working of the raw bristle by dry process. The capital invested in soaking dressing is at standstill for a longer time and more interest should be stipulated.

- (2) Bad effluvium from the soaking tank:—

The raw bristle, which is entangled with flesh, tissues, mud, etc., liberates a very bad effluvium after several days of soaking. It is so far impossible to give a deodorant to the soaking tank, as most deodorants attack the bristle and result in a worse luster.

For many years Hankow bristle has been dressed by dry process. No worker in that district is experienced in soaking dressing. A transference of workers from Yunnan or Szechuan to Hankow means a heavy burden to the share holders of dressing plants.

Singapore Imports of U.S. Commodities via Hongkong

Singapore merchants who for the past eight months have been refused permission to import American luxuries (including cars of 20 h.p. and above) are now allowed to get supplies from Hongkong. Imports of all goods of hard currency origin from Hongkong are being authorised, provided Singapore payments for these goods are in sterling.

The Government announcement lifting the ban has given a fillip to Singapore-Hongkong trade. A number of Singapore merchants have flown to Hongkong after the announcement, to place orders for American goods imported into Hongkong.

The Singapore Foreign Exchange Control Department announced that there would be no objection to Singapore merchants obtaining goods from the United States, for shipment via Singapore to another country outside the Sterling Area. Permission would be given for such imports, provided reimbursement in U.S. dollars was guaranteed by the buyer through a bank in Singapore to the exporter. Such business would have to be conducted under the supervision of a bank in Singapore to ensure that no loss of exchange was involved.

Peiping's Handicraft Industries

Rug Making

In 1860 a Tibetan lama came to the Court at Peking with some beautiful rugs for presentation to the emperor as a tribute. The gifts were well received and an invitation was extended by the emperor to the Tibetan lamas to start rug-making in China. In answer to this invitation, a Tibetan lama named Tsenyerdarnima arrived in Peking with two pupils and started a school to teach the art to the Chinese. Success was immediate, and by the end of the century Chinese rugs were exported and were highly prized in foreign countries.

During World War I, when the exports of Turkish and Persian rugs were greatly reduced, Chinese products practically had a monopoly in the world market. The production rose and the industry prospered. Trade, however, slumped after the end

of the war, when the tight international money market restricted trade activities.

The outbreak of Sino-Japanese hostilities in 1937 again hit the Peiping rug-making industry. Wool, an essential raw material, became hard to obtain as the Japanese exercised control over its supply. This compelled all the workshops to curtail their activities.

For a brief period after V-J Day, hopes were raised by the rug makers of Peiping as sales climbed. Then fighting and resultant difficult transportation and soaring cost of materials and labour held back the industry from recovering its prewar status. With the fall in production was also recorded a decline in the volume of exports.

Peiping rugs are divided into art rugs and hooked rugs. The United

States is the largest buyer of Chinese rugs, taking up some 90 percent of the total exports. Great Britain, Canada, Hongkong and Japan share the remaining 10 percent. During the second World War, when Chinese rugs were unobtainable, the United States imported a large amount of Indian rugs, which are expected to offer competition to the Chinese products in the future.

Embroidery

Embroidery is an ancient Chinese art dating back to the Tsin and Han dynasties, and flourished during the Tang and Sung Emperors. Like rugs, embroidered articles were used principally by the imperial household till the last dynasty.

The embroidery art as it exists today in Peiping was introduced from South China during the reign of Chien Lung. It was applied to court dresses, curtains, awnings, bed quilts,

table cloth, cushions. The use of embroidered articles also became popular with the common people, and there came into general use embroidered bridal dresses, theatrical costumes, shrouds, robes.

There are two schools in the embroidery art—the Northern and the Southern School. The designs include landscapes, human figures, animals and still objects, but the most popular is the dragon, which was once the sacred emblem of the emperor.

Most of China's exports of embroidered articles have gone to the United States, with a small percentage to Europe. In recent years the export figures have registered a steady decline.

Cross-Stitch and Applique

Foreign missionaries in China were responsible for developing cross-stitch and applique art into a great and prosperous industry. These handicrafts were of old Chinese origin, but foreign missions opened schools to teach them to the people, and exported the articles to foreign countries. The industry first gained a foothold in Swatow, which today still remains the most important center for such articles, then spread to Chaochow, Wenchow, Shanghai, Chefoo and Peiping.

In Peiping cross-stitch and applique were introduced by missionaries about fifty years ago. As the result of increasing foreign demand for the beautiful products, business rapidly prospered after the end of the first World War. During World War II exports had come to a standstill and most of the workshops were closed, but when peace returned, many of the factories were back at work again. Today about 10,000 persons are employed in the industry, as compared with 80,000 before the Sino-Japanese hostilities.

Here again the United States is the best customer, followed by Australia, Hongkong, Canada, Straits Settlements and Great Britain.

The raw materials include linen, cotton cloth, thread and cloth of assorted colors, some of which are difficult to obtain today owing to the disrupted communication within the country and the shortage of foreign exchange for purchase from abroad. Ninety percent of the workers are women, who are generally paid on a piece work basis. The finished products include table cloth, doilies, handbags, napkins, handkerchiefs, bedspreads, pillow cases and cushion cases.

Cloisonne

The manufacturing of cloisonne ware is one of the most famous art industries of Peiping. The method of making these objects was believed to have been brought to the Northern capital from Canton during the Ming dynasty, when cloisonne ware was used chiefly in the imperial household. In the next dynasty cloisonne articles were gradually popularized among the people, and a great improvement was made in the technique of manufacturing.

The winning of the first prize by Chinese cloisonne articles in the Exposition of Chicago in 1904 gave great impetus to the industry, and the result was that the demand in foreign countries increased. Cloisonne products constituted one of the leading exports of China in 1936.

After a suspension of several years during the second World War, the cloisonne works in Peiping resumed operation after V-J Day. However, owing to the shortage and high costs of raw materials, recovery has been slow and most of the products turned out today are said to be of lower quality than those manufactured before. The products are mostly flower vases, plates and smoking sets.

Brass and Pewter wares

The brassware of Peiping enjoyed great prosperity during the Ching dynasty. Earlier, in the Tang dynasty, large quantities of brass were obtained from Korea, which had been brought under Chinese sovereignty. Various kinds of brassware were made from these supplies of the metal, and gradually came into popular use among the people.

The brass articles manufactured included kettles, basins, lamp stands, smoking sets, tea sets, toys, signboards, door plates, musical instruments, sacrificial ware. A few utensils were also made of copper for ordinary use. As to articles for export, most of them were made of brass.

Pewter ware was said to have originated in Canton and to have flourished as early as the Han dynasty. Those coming from Chaochow, Kwangtung, were the best known. In Peiping pewter ware factories were first established in the reign of Chien Lung, when the articles had come into very common use.

Before 1937 there were 230 pewter ware factories operated by Cantonese in Peiping, of which 107 closed down following the fall of the city to the Japanese. At the end of the war business began to pick up, but owing to the long closure of the factories and the difficulty of obtaining raw products, recovery has been slow.

The articles made of pewter are usually stationery articles, smoking sets, candlesticks and buddhas. More recently large amounts of beautifully carved beer tankards have been made and exported to foreign countries. Pewter and brass ware exports in 1926 totalled 11,500 piculs, but in 1944, the quantity had fallen to only 1,700 piculs.

Carved Lacquer

Records show that the making of carved lacquer ware was already in a high state of development in the Sung dynasty, and reached its climax in the reign of Emperor Chien Lung, who was a great patron of the art. Somehow the industry seemed to have faded out after the death of Chien Lung, and did not come into prominence again until the time of the Empress Dowager, Tzu Hsi.

Exports of lacquer were made at the turn of the century, and in the first

decade of the Republic the industry greatly prospered as a result of keen demand both at home and abroad. At that time there were about 500 craftsmen employed in the lacquer ware factories in Peiping, but this number steadily dropped and when the Sino-Japanese hostilities broke out, only some 100 workers were left.

After the war foreign orders also poured in, so that the industry began to show signs of new life again. There are now in operation one cooperative society and about ten small workshops, which employ a total of around 100 craftsmen.

The process of making lacquer ware includes designing of a model, laying of a base, lacquering, carving and polishing. Because of the long and tedious labour involved in the different phases of manufacture, the cost of production is high, which fact impedes the recovery of the industry.

Lacquered products are usually found in the form of flower vases, boxes, jars, plates, cans, small trunks, screens, stationery, curios, stands and canes. Before the war, the United States took up most of the exports, followed by Straits Settlements, Great Britain and Japan. There was also a fairly large domestic market, especially in Shanghai, Tientsin, Tsingtao, Nanking and other major cities where large numbers of foreign nationals reside.

Glassware

The making of glassware in China was said to have started in Pashanhsien in Shantung where there is a plentiful supply of raw materials for glass-making. At the beginning of the Ching dynasty the use of glassware was confined to the imperial household, but during Kang Hsi's reign it spread to the people.

The glassware makers in Peiping confine their art chiefly to the making of earrings, rings, pins, artificial coral articles and imitation flowers. For the export trade, necklaces, animals and cut bowls are the most popular, going mainly to the United States, the Straits Settlements, Canada and India.

The foreign market for Peiping's glassware has been much depressed by the war. Although trade has now been resumed, the exports have decreased as compared with the volume prior to the war. The future, however, is generally regarded with optimism, and the return of more normal conditions is believed to be all that is necessary to give the industry a strong boost.

Jade Ware

The jade products of Peiping are known throughout China for their fine quality and exquisite workmanship. The industry is a very old one, dating back to the Warring Nations in the Chow dynasty, when articles made of jade were already treasured.

The raw materials used by the jade makers are jadestone, blue jade, coral, amber, topaz, and white, black and purple crystals. With these materials are produced such ornaments as brace-

lets, rings and other jewelries, and also vases, pots and other articles of display.

The Chinese people have a great fondness for jade, which have been popular from time immemorial. Jade, however, is expensive and cannot be afforded by the common people. This is one of the reasons why the industry has not been able to attain a high degree of development.

The export of jade articles was said to have begun in 1911, the last year of the Manchu dynasty. Business, however, is dependent on the home market more than on the foreign. During the war the turnover suffered, and the output showed a noticeable decline. Some improvement was reported after the advent of peace, and in May, 1947, it was estimated that there were 67 jade merchants and 15 jade workshops doing business in Peiping.

The problems of obtaining raw materials and working capital still remain as great today as before, but professional lapidaries are optimistic and believe the days of prosperity will come again as soon as general peace is restored to the country.

Enamelled Ware

The art of enamelled ware making was imported from the West, presumably during the time of Emperor Kang Hsi. Enamelled ware was among the articles made by the imperial factories for the use of the imperial household during Chien Lung's reign.

Since the end of the war, 14 factories employing a total of some 100 workers have been operating in Peiping. There is a great demand for these products in the home market, and what exports are made go chiefly to the United States and Britain. If larger capital can be invested in the industry, business will be substantially developed, as the present demand exceeds the supply.

Bone Carving

Bone carving in Peiping is an art which has seen the height of its development. The products include both curios and articles for daily use, such as toothbrush handles, buttons, chopsticks, hairpins, combs and flowers.

Ivory, fish bones, cow bones and cow horns are the principal materials employed by the trade. Ivory comes mainly from India, and the articles made from it, such as seals, chopsticks, rings, human figures are beyond the purse of the average individual. Because of the skillful carving with which these objects are usually produced, they are in good demand from curio collectors.

In Peiping today there are around 60 workshops, large and small, engaged in bone carving, and only four in the ivory business. Before the war a quantity of the products found their way to foreign countries.

Iron Flowers

Chinese historical records state that iron flower making started in the Sung dynasty to enrich household decoration. The attraction of iron flowers lies in

Soya beans as a food possess the nutritional properties of meat, and they have aptly been called the poor man's meat or China's cow. Soya beans contain substantial amounts of albumen and fats, and while more nutritious than many other agricultural products they are inexpensive and within easy reach of the masses.

From the industrial point of view, the value of soya beans is more significant. Thanks to progress of chemical science, soya beans have been processed into a variety of products. The more notable are soap, synthetic petroleum, artificial lard, candles, black rubber, paint, raw materials for alcohol, synthetic coffee, artificial wool, artificial leather, bakelite, artificial ivory, synthetic jewelries as well as various kinds of medical and military supplies. It was due to the multitudinous use of soya beans that their export from China to the United States increased during the First World War. Before the Second World War, Ger-

many imported large quantities of soya beans. On May 1, 1936 she signed a commercial pact with the government of Manchuria to barter German machinery and military supplies for soya beans. At the outbreak of the war, Germany had accumulated a stock of more than 2,000 tons of this produce. The soya bean not only solved German food problems, but also made a great contribution to that country economically and militarily. During the War the German Air Force produced a quick Energy Builder from a mixture of glucose, cocoa, meat and soya beans which was used successfully as a stimulant.

The soya bean ranks first in importance among the agricultural products of the Northeastern Provinces. From 1922 to 1945, the annual production ranged from 3,000,000 to 5,300,000 metric tons, averaging around 4,000,000 tons per year. A Japanese source placed the average annual production of soya beans in the various countries of the world as follows.

the great skill with which they are hammered into shape. They are popular in foreign countries, and most of the goods produced in Peiping are exported.

Besides the hammering method, iron flowers are also made by cementing the parts of the flowers together with a mixture of rosin, oil and glue. This type of articles, however, is not so popular with foreigners, and its export is therefore limit.

To prevent rusting, iron flowers are usually covered with a coating of lacquer or wax. The last step in the process of manufacturing is framing. For this purpose either iron or wooden frames of round or oblong shape are used, and in this work the same dexterous hands of a skillful craftsman is called for.

Artificial Flowers

Peiping's industry of making artificial flowers dates back about a hundred years ago. It appears that the trade saw the climax of its glory at the end of the Ching dynasty, when there existed from three to four hundred factories devoted to this occupation.

A fairly good market is commanded in various parts of the country. Since 1911 a small volume of export of these flowers, made of sarsenet and of gauze, has been made to the United States.

The raw materials are secured from all parts of the country; embroidery sarsenet from South China, satin from Soochow, damask from Tsoutsun (Shantung), and silk from Soochow. Formerly chiffon was also employed but the this material is now unobtainable.

Palace or Art Lanterns

Lantern Street, the First Avenue of Langfang Street outside Chien Men, received its name from the famous products of Peiping's lantern makers. Formerly, palace lanterns were used only

in the imperial palaces, and although the Manchus were overthrown by the Chinese Revolution, the palace lantern industry continued to thrive.

The output of palace lanterns after 1911 has gone chiefly to foreign markets and to the upper classes in China. From 1922 to 1923, the lantern business reached the height of its prosperity, when scores of factories were engaged in turning out the artistic products.

During the war business was much restricted and did not show signs of revival until U.S. servicemen set foot on Peiping after V-J Day. The domestic market for lanterns has shrunk, but the Peiping craftsmen are still hoping for the return of the old days when their business was kept on the upgrade by exports.

Inlaying or Encasing

Inlaying or encasing work is generally considered as having originated in Peiping. The products consist of pins, earrings, rings and bracelets. The workshops turning out these articles are all small and total less than 10 in number. Great skill is required in the work, and for this reason apprentices have to go through a period of training lasting three years and one season.

Inlaying work is applied to different articles, such as cloisonne ware, enamelled ware, artificial silver thread ware, etc. Brass and imitation flowers made of stone powder are the chief raw materials used in this highly specialised handicraft industry.

The stores dealing in these articles in Peiping are located in the Tung An Market, where about 20 are in business, and in the Hsi Tan Market and Chuan Yeh Market. At home the finished products are sent to the Northeastern Provinces, Shanghai, Nanking, Tsingtao and other large cities, while abroad, the United States is the largest customer.

*Annual Production
(Metric Tons)*

| Country | Northeastern Provinces | Annual Production (Metric Tons) |
|--------------------|------------------------|---------------------------------|
| in China | 5,200,000 | |
| China, other parts | 1,905,000 | |
| Korea | 543,000 | |
| Japan | 352,000 | |
| United States | 323,000 | |
| USSR | 229,000 | |
| The Netherlands | 122,000 | |
| | | 8,674,000 |

The annual soya bean production of the Nine Northeastern Provinces amounted to about 60 percent of total world production. Prior to the Mukden Incident in 1931, the soya bean constituted China's leading export item, topping the country's export list for as long as six or seven years without interruption, and huge shipments were largely instrumental in holding the annual trade deficit down to reasonable limits.

The production of soya beans in the Northeast amounts to approximately 28 percent of the total agricultural production in that area. Before the Mukden Incident in 1931, the soya bean output compared with other agricultural produce was as follows:

Year

| | | | | | | |
|------|-----|-----|-----|-----|-----|-----|
| 1927 | ... | ... | ... | ... | ... | ... |
| 1928 | ... | ... | ... | ... | ... | ... |
| 1929 | ... | ... | ... | ... | ... | ... |
| 1930 | ... | ... | ... | ... | ... | ... |
| 1931 | ... | ... | ... | ... | ... | ... |

Manchurian Production Areas

Soya beans thrive best in a temperate climate and their chief characteristic is their ability to withstand dryness equally well as wetness. They are suitably cultivated in the temperate zone, and the climatic conditions of the Northeast fairly answer this requirement. Soya beans require loose soil to grow in, and after a soya bean crop the fertility of the soil is usually increased. They can thus be cultivated in not very fertile regions, which fact explains their popularity among the farmers, and why they are so extensively cultivated in newly opened districts in the Northeast. At present soya beans are planted most widely in the Sungkuakiang basin, and next along the banks of the Liaocho, while in the northern section of the district cultivation of the beans is being steadily extended towards the north. The production and acreage estimates of soya beans in the Northeast in 1945 were as follows:

| Province | Production (Metric Tons) | Acreage (Square Kilometers) |
|--------------|--------------------------|-----------------------------|
| Liaoning | 366,906 | 3,719.2 |
| Antung | 177,490 | 1,721.5 |
| Liaopeh | 330,070 | 3,260.6 |
| Kirin | 943,797 | 8,345.3 |
| Sungkiang | 697,261 | 6,246.1 |
| Hokkiang | 295,631 | 2,947.6 |
| Noonkiang | 150,862 | 2,027.9 |
| Heilungkiang | 467,752 | 4,292.6 |
| Hingan | 46,959 | 487.5 |
| Total | 3,476,728 | 33,048.3 |

Cultivation of soya beans was given great impetus by the large exports during the First World War, and when peace came soya beans had taken the place of kaoliang as the leading agricultural produce of the great plains of the Northeast. However, following the Mukden Incident of 1931, the soya bean acreage was partly converted into rice fields as a result of the large influx of Japanese and Korean nationals, whose staple food is rice. Rising gradually after World War I, the output of soya beans in Manchuria reached its peak in 1930, when total production touched 5,360,150 metric tons. After 1931 the total steadily declined, registering only 3,549,618 metric tons in 1944.

Soya Bean By-Products

In addition to their value as an export mainstay, a small percentage of the soya beans in the Northeast is consumed locally as food and cattle feed, while the remainder is used as raw material for the oil-pressing industry. The oil mills of the Northeastern Provinces have a history of more than 80 years, the initial object in the beginning being to produce bean cakes for cattle feed, and later for

provinces. Below is a table of the oil-mills and their production in the difference Northeastern Provinces in 1949:

| Province | No. of Mill | Bean Oil (Metric Tons) | Bean Cake (Metric Tons) |
|--------------|-------------|------------------------|-------------------------|
| Liaoning | 230 | 22,446.7 | 187,290.0 |
| Liaopeh | 89 | 10,668.6 | 78,036.0 |
| Antung | 85 | 6,152.0 | 52,241.4 |
| Kirin | 132 | 8,623.6 | 80,074.6 |
| Sungkiang | 166 | 23,557.3 | 223,067.7 |
| Noonkiang | 126 | 6,853.0 | 55,104.2 |
| Hingan | 7 | 649.1 | 5,814.7 |
| Hokkiang | 112 | 5,397.5 | 49,061.8 |
| Heilungkiang | 150 | 3,571.8 | 33,245.5 |
| Total | 1,097 | 87,929.6 | 764,954.9 |

Foreign Trade

The value of exports of soya beans and their products from the Northeastern Provinces formerly took up more than 50 percent of the total export value from this area. This was due to the ever increasing world demand and to their superior quality. In the table below are listed the exports of soya beans and their by-products from 1930 to 1944 (in metric tons):

| Year | Soyabean Exports (metric tons) | Other Products (metric tons) | Soya Bean % | Bean Cake Exports | Bean Oil Exports |
|------|--------------------------------|------------------------------|-------------|-------------------|------------------|
| 1930 | 1,971,295 | 17,506,570 | 27.5 | 1,519,879 | 184,268 |
| 1931 | 2,836,338 | 17,953,540 | 26.9 | 1,897,568 | 187,450 |
| 1932 | 2,572,584 | 18,060,730 | 26.9 | 1,422,397 | 125,652 |
| 1933 | 2,365,467 | 18,700,550 | 28.3 | 1,075,844 | 78,785 |
| 1934 | 2,498,355 | 18,245,870 | 28.3 | 1,232,585 | 95,154 |
| 1935 | 1,766,261 | 18,245,870 | 28.3 | 1,023,647 | 88,506 |
| 1936 | 1,968,006 | 18,245,870 | 28.3 | 848,333 | 66,218 |
| 1937 | 1,974,235 | 18,245,870 | 28.3 | 808,482 | 70,212 |
| 1938 | 2,164,889 | 18,245,870 | 28.3 | 869,212 | 57,248 |
| 1939 | 1,711,804 | 18,245,870 | 28.3 | 1,219,885 | 72,508 |
| 1940 | 602,978 | 18,245,870 | 28.3 | 494,973 | 18,668 |
| 1941 | 682,538 | 18,245,870 | 28.3 | 447,122 | 14,586 |
| 1942 | 686,245 | 18,245,870 | 28.3 | 540,956 | 9,455 |
| 1943 | 655,713 | 18,245,870 | 28.3 | 455,861 | 8,171 |
| 1944 | 826,350 | 18,245,870 | 28.3 | 565,981 | 9,634 |

fertilizer. The Japanese shipped large quantities of bean cakes to their own country where they were used as fertilizer, while bean oil was mainly exported to Europe and China Proper. As a result of the ever growing demand, the oil-milling industry of the Northeast developed reaching the height of its prosperity after World War I. In more recent years, however, the oil mills of the Northeast have received a blow from the increased production of chemical fertilizer in Japan and the growing prosperity of the oil-pressing industries in Europe, resulting in a considerable decline of exports of both bean cakes and bean oil.

Although the importance of soya beans in the chemical, military and medical fields today has been considerably enhanced, the soyabean by-products in the Northeast are still confined to bean cakes and bean oil. In other words, exports are made mainly in the form of semi-finished products, but if chemical and medical industries could be pushed ahead in Manchuria, then the soya beans and their by-products can be fully processed within the country.

The oil mills of the Northeastern Provinces are mostly of the old type and are located principally in Dairen, Harbin, Antung and Yingkow. This industry together with the kaoliang wine and wheat flour industries is considered as one of the three most promising rural industries of these

Before the second World War, Manchurian soya beans were exported chiefly to Japan, Germany, and Egypt in that order. As to bean cakes, from 70 to 80 percent went to Japan, the remainder going largely to China Proper and Korea, and partly to the United Kingdom and Germany. Bean oil was shipped mainly to China Proper and Germany, and some to the Netherlands.

Dairen was the chief exporting center for soya beans and by-products. Between 1912 and 1943, the largest exports of soya beans were made in 1934, totalling 2,046,000 tons; of bean cakes in 1926, totalling 1,242,000 tons, and of bean oil in 1919, amounting to 137,000 tons.

Next to Dairen, Yingkow was the most important port for soya bean exports. The largest exports of soya bean were made from this seaport in 1931, aggregating some 324,000 tons; of bean cakes in 1932, totalling 253,000 tons; and of bean oil in 1928, exceeding 20,000 tons.

In addition to the above two centers, small quantities of soya beans and by-products were shipped through Antung, and also through Suifenho on the eastern end of the Chinese Eastern Railway, the latter point handling shipments to the U.S.S.R.

The Aluminium Industry in Formosa

(From our Formosan Correspondent)

The aluminium industry is one of the few modern and efficient industries in Formosa. As regards new investments, Formosa offers a good chance for foreign capital which is indispensable for her future economic advance. Among the various industries, the aluminium industry is typical for this purpose.

In the beginning of last year, when the co-operation of the Reynolds Metal Corp. and the China Natural Resources Commission, to develop the aluminium industry of Formosa, was decided, it stirred up great interest because at that time it was deemed the first step of private economic co-operation after the war between the US and China. According to the agreement, the China Aluminium Company was to be set up with 50% US & 50% Chinese shares and succeeding the Taiwan Aluminium Company which had been taken over from the Japanese and managed by the N.R.C. The total investment of Reynolds was US\$ 7,000,000 both in machines and cash. After one year, though the factory has been repaired, production still is low chiefly because of the inefficiency and corruption of the Chinese. In addition, economic difficulties which were accelerated by the Kuomintang collapse in China have had a bad influence on all the enterprises of Formosa among which the aluminium industry was no exception.

Under the Japanese, the aluminium industry was built in 1934 and began to produce the next year. In 1941, when a 100,000 kilo-watts electric station was set up, the output of aluminium increased to 12,000 tons. Because of its military value, the real output figure was kept secret; it was far above the released figure.

The Japanese built two aluminium factories on the Island; one in Takao and the other in Huarenkang on the East coast.

Takao refinery:—It consisted of two producing systems, one designed by a German engineer at 8,000 tons productivity, the other designed by Japanese at 6,000 tons. The main equipment was as follows: (1) The first system: 154 Cells Soderburg type 38,000 amps. (2) Subsidiary equipment—10 mercury arc rectifiers—3,600 kw, 6 Phase, 850 v. 4,000 a. (3) The second system: 104 Cells, Soderburg type, 28,000 amps. (4) Subsidiary equipment: 6 mercury arc rectifiers—3,600 kw, 6 Phase, 600 v, 6,000 a. (5) Re-smelting furnace: 3 furnaces, capacity 2.5 tons, 250 kw. (6) Smelting furnace. (7) Electric station of three units, 800 kw.

During the war the factory was bombed. The damage of the first system was comparatively slight, and was largely repaired last year. However the second system was destroyed completely and must be reconstructed from the beginning.

Huarenkang refinery:—This factory was destroyed and there is no possibility for recovery because on the east side transportation is difficult and water power very poor. Therefore even if it was not destroyed there was little hope of operating it. In the past, this refinery had two equipments of 11,000 tons productivity, but the real output was no more than 3,500 tons due to shortage of water power.

These two refineries were taken over by the Chinese after the war and managed by the Taiwan Aluminium Co. Machines and parts of the Huarenkang refinery were removed to the Takao factory for repairing, because they were the only parts available.

The total output of the new plant may reach 4,000 tons under the planned scale. At present it is far from the above figure.

There are many difficulties for the development of the aluminium industry under present conditions in Formosa. Unless the vicious inflation is stopped, production is bound to drop. For raw materials the industry mainly depended on bauxite from Indonesia. China has bauxite reserves scattered in Kweichow, Yunnan and Fukien, which have no industrial value at present.

Increase of electric power supply is necessary for higher production in future.

INDOCHINA

Indochinese Monetary System

Parity of Indochinese Piastre

The Indochinese piastre, legal tender for the whole of the Associated States of Indochina (Vietnam, Cambodia and Laos) belongs to the group of the French franc and its parity is fixed at 17 francs of the Metropolis and since the time of the devaluation of the franc in December 1945 has not varied. Its rate, as regards Foreign exchange, has therefore followed the variations of the French franc during the year 1948. The rates of Foreign exchange were uniformly increased by 80% following the devaluation of 28th January 1948. Up to the aforesaid date the US\$ rate of exchange was IC.\$7.05 since then its parity was set at IC\$12.70.

On the other hand following the Foreign exchange reform passed in France on October 17, 1948, Indochina was admitted to benefit from the free market in the currencies of the following foreign countries: United States of America, Portugal and Switzerland, and the rate of the piastre was fixed accordingly. The buying of Foreign exchange for payment of imports and the selling from export proceeds are based on one half at the Indochinese official rate of exchange and the other half calculated at the rate of the Paris free market.

This practice subjected the American dollar to a varied rate of exchange in piastres. Average at the end of 1948 was IC.\$15.57. Comparing with the rate in force at the beginning of the year, this constitutes a devaluation of 55%.

The rates of other foreign exchange are fixed every month by the Indo-chinese Foreign Exchange Control according to the official parity of these foreign exchanges with the American dollar and within the medium rate of the US\$ on the Paris free market of the previous month.

Note Issue

The amount of paper money circulating has been increasing during the year 1948 by 19% passing from 2,936 million piastres on the 31st December 1947 to 3,497 million on the 31st December 1948. The increase in circulation shows a percentage far below that of the general level of prices.

In consequence of the political and administrative reforms, that of the monetary reform has been continued in 1948. Its main lines having been decided upon during the year 1946, its setting up point is as yet not arrived at, but, nevertheless, the year 1948 shows that two fundamental texts were signed concerning the Note-Issue regulation in Indochina.

By virtue of the Bye-law of 25 September 1948, concerning the withdrawal of the Banque de l'Indochina's privilege to issue notes, the bank revoked its privilege which was granted for various overseas French territories and particularly for Indochina. However, the Banque de l'Indochina will, temporarily and up to a date later to be fixed by a decree, during the transitory period in which the Note Issue Office will organise itself, continue to issue. Moreover, the bank will continue to help the new Note-Issue Office and Treasury materially and financially.

Another bye-law, of 25th September, foresees the creation of an Indochina Note-Issue Office possessing the Monopoly of Note-Issue. This Office will work under the authority of the High Commissioner and will be administered by a council wherein the States will be largely represented. This Office will afterwards be completed by a Decree fixing the date at which it could start to operate and by a Covenant passed between this organ, the Finance Minister, and France, in order to supply it with the means necessary to its functioning.

According to the Statute of the Note-Issue Office, its function will be similar to that of the Banque de France and will present itself as a technical organ entirely without political characteristics.

So long as the Exchange Control will exist in Indochina, the Note-Issue will exclusively be covered by French francs, Indochina Treasury bonds, and finally piastres advanced to the Indochina Treasury. In case of withdrawal of Exchange Control, the Note-Issue could be covered by gold or foreign currencies.

Assets in French francs constituting the greatest guarantee for the Note-Issue will have to reach at least 33% of the counter-value of the circulating paper money. On the other hand, advances made to the Treasury could not be over 33% of the said circulating paper money.

Since the voting of these two Byelaws, Indochina has entered the transitory period foreseen by the Covenant of July 10th 1947. The Banque de l'Indochine will temporarily continue to assume Note-issue servicing and that up to the time when the Note-Issue Office will start its operations.

Foreign Trade

The regulations governing foreign trade were much improved during the year 1948. The abolition of Export licences for goods destined for France and the countries belonging to the French currency area constitute an appreciable progress towards the re-establishing of free trade between Indochina and the major parts of the French Union. A new barter has been set up by the Commission Permanente des Echanges inward and outward. This new regulation authorizes the export of some Indochinese products of secondary importance against foreign products classified in two categories, as follows:—(A) Food stuffs which necessitate no foreign exchange but which are placed under control upon arrival. (B) Products which are subject to Foreign exchange surrender. To determine at which rate the exchange is to be sold a scale which takes into account the prices of goods exchanged on the local market and their prices on the foreign markets has been established.

The barter has accordingly increased, but sometimes foreign regulations prevent its working. With Hongkong the amount of barter has been approximately 30 million piastres.

Imports from Hongkong were under the barter in 1948 as follows:—900,000 cartons, of English or American cigarettes, 500 tons of medicinal commodities, 3,000,000 aluminium sheets, 150,000 cotton reels, 200,000 jute bags, and miscellaneous articles such as sewing needles, thermos flasks etc.

Exports from Indochina under barter comprised principally:—Green beans 3,000 tons, Cloves imported from Madagascar 500 tons, various kinds of seeds and some rubber 2,000 tons.

Trade Agreements in 1948. Indochina has benefited by agreements made by France with various countries such as Italy, Switzerland, the Dutch Indies, Norway, Czechoslovakia, Greece and Denmark. These agreements are permitting Indochina to secure appreciable quantities of essential commodities.

Barter exchanges with U.S.A. have increased in tonnage and value but it represents a smaller percentage of the total trade of Indochina than that

of 1947 (Imports 13% instead of 20%) (Exports 3% instead of 8%). The United States have supplied more mineral oils (12,837 tons against 4,177 in 1947), more motorcars, and metals. Exports of rubber to USA have shown an important retrogression compared to that of 1946 and 1947.

As regards barter with the sterling area, that which is said for the USA is likewise applicable. The volume of barter increases, but the sterling quota in the total of Indochinese foreign trade decreased to the benefit of French franc area (Imports 4% against 5% in 1947—Exports 25% against 30% in 1947).

Industry

Coal mining: Owing to the festivities the production of the Societe des Charbonnages du Tonkin, during the months of January and February shows a slight decrease, compared to the previous months: 30,000 tons in January, 20,000 tons in February and 36,000 tons in December.

January and February selling figures for market consumption were 50,578 tons compared to 28,000 tons in December 1948. On the other hand exports are showing a decrease: only 526 tons. It must not from that be deducted that the amount of exports is reflecting the commercial policy of coal mining because such amount is greatly influenced by freight space available. Coal stocks on February 28th were 54,475 tons, against 56,888 tons on 31st December 1948.

Coal mining of Along and Dong Dang shows in January 623 tons against 650 tons in December 1948.

Cement works: In the course of February the production of the cement works of Tonkin has been similar to that of the previous month: 10,121 tons of rough cement and 11,898 tons of pulverised cement, against 9,487 and 12,048 tons respectively in January. February selling figures were 13,265 tons against 14,240 tons in January and 6,500 tons in December 1948. From this amount 5,050 tons were exported whereas in January exports had been 4,800 tons.

Stocks on 28th February were 6,747 tons of rough cement and 3,018 tons of pulverized cement against 8,113 and 4,462 tons respectively on 31st January 1949.

Various Industries: Industrial production in Indochina generally shows a decrease in February compared to January due to seasonal festivities and the holidays accorded for the occasion. In Cochinchina the production of alcohol in February was 2,393 hectolitres, against 4,311 hectolitres in January and 5,398 hl in December. Selling figures show 3,050 hectolitres of native alcohol and 292 hectolitres of European alcohol. The total stocks of all qualities were 3,145 hectolitres at the end of February against 4,024 hectolitres at the end of January 1949. In Cambodia the monthly production of alcohol continues to increase. In January the production

was 7,350 hectolitres against 6,477 in December, and 5,739 in November 1948.

The production of oxygen and acetylene in Cochinchina during the month of February has been 16,658 cubic metres of oxygen and 7,348 cubic metres of acetylene against 18,932 cubic metres and 7,824 cubic metres, respectively in January. The production of carbonic acid in February shows a large decrease compared with that of January, 3,548 kgs against 6,804 in January.

Rubber goods manufacturing also show a decrease in production: only 16,000 tyres against 70,000 in January.

In the course of January textile production of the Tonkin has been as follows:—7,500 metres of cotton goods, 16,300 kgs of fishing nets, and 10,913 dozens of sewing cotton reels.

The Societe des Verreries re-started manufacturing bottles. Two glass kilns are working and the trial and adjustment period will soon be over. The production in December 1948, and that of January 1949 have respectively been 107 tons (334,000 bottles) and 369 tons (1,109,351 bottles).

Agriculture

Cochinchina—January 1949.

There are still some difficulties to ensure transportation of the paddy especially in the Transbassac area. In the whole of Cochinchina, the half and full season is gathered. It has on the whole been well and shows a result of 60 to 140 "gia" to a ha (one gia=21 kgs) according to area.

Indian corn is in earing process. All the seed plots are doing satisfactorily. The industrial and home consumption of sugar cane gathering is being effected. Small sporadic planting took place in the Bacieu area. The sugar cane rate was maintained at IC\$250/300 per ton delivered to the sugar refinery and at IC\$150 on the plantations.

Ground nuts gathering for the third season took place when the sowing of the first season was being done. In the area of Thudaumot the seed plots attained approximately 250 ha. Some damage due to rats occurred in the coconut plantations of the My tho area. In other areas the gathering took place at various times and some up-keep is being done. The market rate of the nuts varied between 1,300 to 1,400 for 1,200 pieces and that of the oil between IC\$700 to 750 per 100 kgs whereas price of oil cake was approximately IC\$100 per 100 kgs. It is advised that in the Saigon market the oil cake does not sell well.

In the whole of Cochinchina tobacco growers have for the first time received fish fertilizer and the crops are good.

Gathering of sapotills and "agrumes" has been done. Fruit gathering of mango-trees are showing good fruit bearing. Market garden vegetables growing has increased in areas where fresh water is available, and the production of green and tuber vegetables is on the whole good.

Cambodia—February 1949.

Drought lasted till the end of February at which time rain occurs, light in some places, heavy in others according to areas. The whole of the agriculture suffered from the drought. Rice gathering of the dry season has started and will continue during March and beginning of April. The paddy fields area of Cambodia covers approximately 60,000 hectares. The crops are good and production is estimated to be 50,000 to 55,000 tons.

Owing to the drought, brown maize crop is on the whole not very good. At some places gathering has started. So far buyers are few and they offer IC\$80/85 per 100 kgs (without ear-leaves) at the production. If the rate does not improve it is probable that less surface area will be sown next season. In red soil cotton gathering is progressing and is good in the Kratie area, medium in the Kampong-Cham district and poor in the Kandal area.

Ground nuts gathering is well advanced on river banks, it is satisfactory in Kratie where seed plots have increased this year; in the Kampong-Cham and Kandal areas owing to the drought and some damage caused by rats and ants the results are less good and varied between 240 and 954 kgs with shells and 168 to 658 kgs without shells, according to areas.

Tobacco growing is good, topping is in progress and at some places gathering has started. Rates are steady (from IC\$1,500 to 1,700 per 100 kgs).

Kapok gathering has started and buying on fields is made on the basis of IC\$18 to 20 per 100 fruits.

Laos—February 1949.

Agriculture in Laos is satisfactory. Ploughing is progressing with great activity in coffee plantations where gathering is almost finished. The quinquina plantations (Peruvian bark) are doing well. Pruning will be done so that these plantations can develop normally. Fruit and vegetable crops are very good. French soil grown vegetable can thrive very well and good results are obtained.

Tonkin—February 1949.

Rice picking of the fifth month have been finished, even the late crops. Agriculture is normal in all areas. Only small areas of manioc this year. Gathering started in December last and finished beginning of this month. Production varies according to areas and is in general not very large: 1,000 kgs to 2,500 kgs per ha.

Likewise to manioc, taro this year is only composed of odd production, sporadically we find it in the low paddy fields. The first gatherings could be effected in April next.

The late sowing maize grown alone or in conjunction with soya are finished. In some areas the growth is 0.30 m to 0.50 m in height. On the whole growing is very good. Tobacco growing is normal. Similarly to last year it covers only small surface areas.

Ground nuts sowing is completed. The growth is good and even. Market garden vegetable production is very

Problems of Malaya's Rubber Industry

"We are giving away our produce for a mere song, and our valuable rubber estates become nothing much more than a place of employment with mounting and unlimited liabilities," according to Mr. J.S. Ferguson, the new vice-president of the United Planting Association of Malaya. He warned that the U.P.A.M. and the Government "must bestir themselves to the fact that neither the Government nor the rubber industry could survive at present prices. We have become so accustomed to being browbeaten by our main consumer's synthetic baton that we have already almost accepted the negative result of the International Rubber Study Group as inevitable, and without surprise or resentment."

"The cry for lower costs can only be met by re-orientation of estate units along with replacement of effete seedling rubber with high yielding outgraths, but very few can face the present cost of these far-reaching ramifications under present circumstances. Control of the industry is passing, or has already passed from Europe to America and we in Malaya must take stock and take active steps to secure a better deal."

Sir John Hay, in his statement as chairman of United Sua Betong Rubber Estates, describes the spectre of future over-production of natural rubber in face of the synthetic industry in the United States. "The synthetic rubber industry in the U.S.A. survives to continue production in the post-war era on such a scale as seriously to affect consumptive demand for natural rubber. Happily, for some time to come, purchases for stock-piling in the United States are likely to absorb any surplus supplies of natural rubber. The natural producer finds it difficult to reconcile the claim that legalised restrictive practices in the U.S.A. in favour of synthetic rubber as against natural are justified by reasons of national security with the simultaneous claim that the synthetic product is being used purely on its merits in quantities largely in excess of the prescribed minimum."

"For its great exertions the rubber plantation industry has been ill rewarded. The idea which finds expression in some quarters that the fortunes of the rubber plantation industry can be dramatically reclaimed by replanting on a large scale is quite foolish. No rubber estate can be wholly replanted and brought to maturity except gradually over a period of decades, unless that estate is to be entirely out of production for a number of years—a course of action which no owner dependent on revenue from rubber could follow. Perhaps it is fortunate that it is so, otherwise we should find our already more plentiful supplies of rubber multiplied several times, to the common disaster of all producers."

good especially in the districts of Hanoi, Haiphong and Kienan. It is to be noted that retail prices of some vegetables are lower due to heavy production stocks during this month.

A miniature tempest, unusual in Malayan affairs, has followed Sir Sydney Palmer's address to the annual meeting of the United Planting Association of Malaya in which he criticised the composition of the British colonial delegation to the recent London conference of the Rubber Study Group. He made the point that "the greatest rubber producing country in the world had no official representation at the Group meeting," and went on to assert that British colonial producers, who are responsible for over fifty per cent of the world's rubber production, were represented by a Government official "whose knowledge of the industry necessarily is theoretical, assisted by a team of advisers which with one notable exception consisted so far as this country is concerned of men who have not had the advantage of dealing with the problems of the rubber producing industry at the highest level." Dissatisfaction by all planters with the attitude and policy of London is very high.

The speech of Sir Sydney Palmer was published in our issue of May 11, pp. 605/6, a speech which aroused international interest. There was little cheerful in his report coming at a time when the rubber industry is facing a major crisis coupled with the internal disorders in Malaya. The president of the United Planting Association was realistic rather than comforting, but he managed by the barest margin to escape the pessimism which overcome so many when they look at the present picture of declining prices for produce and the unyielding costs of production. Wages in the planting industry have increased by 200 to 400 per cent, and so have other costs including the amenities which must be provided for labour. The export tax on rubber has been doubled, and income tax adds to the burden. But the rubber which must pay for it all sells at less than its pre-war price. The prospect of a better price, though one or two hardy hopes still cling to the dream, can now be dismissed. If the industry is to survive at anywhere near the level of the present and the past it will have to sell an improved rubber which is also produced more cheaply. This can be done, but not by the efforts of the planting industry alone. It can be done only if the Government accepts the shaping challenge to Malayan economy, and actively interests itself in the future of an industry which in the past several years it has done little to encourage.

The most astonishing fact to which Sir Sydney drew attention in regard to the insecurity of the planting industry related to its losses to banditry, to the tribute which terrorism exacts of rubber. He estimated that ten per cent. of the total rubber crop goes to the bandits; most of it is the product of illegal tapping, but there are other routes. Terrorism consequently takes from the industry more than double the direct taxation imposed by Government, approximately \$68 million worth of rubber for the bandits last year, against \$33 million paid in export tax.

Reports from Malaya

Rubber

Imports of rubber into the Federation of Malaya during March amounted to 5,632 long tons, the bulk coming from Siam 4,044 tons, and 877 and 704

For what the comparison is worth, it may be noted that the bandit levy is half as large again as the £5 million contribution which the British Government is to make towards the cost of suppressing terrorism. Legislation is now being prepared that will cripple the racket, it is hoped, by making the movement of rubber too difficult, but the terrorists have been at it for three years now, and the breaking up of this well established illicit trade clearly will not be easy. The Government's own share of rubber's earnings is also in dispute. The export duty used to be regarded as a synthetic form of income tax, but Malaya now has income tax, and the cess must be seen in a different and still more unfavourable light. The point was not overlooked when the income tax ordinance was examined by the Legislative Council's Select Committee, with the result that the Government stands committed to a re-examination of the export duty with the implication that it will be lowered or removed entirely as soon as may be practicable. This happy day appears to be a long way off, yet the Government cannot forever plead financial stringency as excuse for postponement. The fact that so much of its income comes from rubber, and it is estimated that about one-third of the Federation's revenue is derived ultimately from the planting industry, is not an argument against easing the burden. That would seem perfectly obvious, yet there is a danger that the very substance of rubber's contribution to the Federation's exchequer tends to conceal the industry's need for relief. Present prices leave little profit, even for the more prosperous companies who are clear of rehabilitation expenditure or of the indebtedness which rehabilitation has meant. Unless the general cost of living comes down or is forced down, there is no way of reducing production costs.

tons from Burma and Sumatra respectively. This is 34.5% above the figure of 4,188 tons imported during February and brings the total imported into the Federation for the first quarter of this year to 14,963 tons.

Rubber imports from abroad into Singapore for March totalled 19,559 tons, coming mainly from Sumatra, Sarawak, Dutch Borneo, and North Borneo, with 12,421 tons, 2,637 tons, 1,516 tons and 1,232 tons respectively.

Total imports of rubber into Singapore and the Federation during March amounted to 25,184 tons, 27.5% above the imports for January, making a total of 61,124 tons for the first quarter of this year or 6.6% below the quantity of 65,466 tons imported during the same period for 1941.

Exports in March from the Federation amounted to 35,371 tons, a slight drop against the figure for February of 36,589 tons, bringing total for the January/March period to 119,361 tons. The United States took 31.9% or 11,072 tons, the United Kingdom came second with 4,952 tons, Germany took 3,380 tons, Japan 2,956, USSR 2,225, France 2,185, Canada 1,620, Italy 1,209, the Netherlands 948, Belgium 584, Poland 449, Sweden 433, Czechoslovakia 423, Australia 396, China 353, Mexico 350, Chile 317, Hongkong 306 tons, etc. Local exports from the Federation to Singapore came to 25,898 tons, which with the above figure of 35,371 tons makes a total export of 61,269 tons.

Stocks on estates at the end of March amounted to 20,845 tons. Stocks in dealers hands totalled 45,592 tons, and at ports awaiting shipment 7,037 tons, a total of 73,474 tons. Local manufacturers took 317 tons, and 49 tons were destroyed by fire, 13 tons accidentally and 36 tons as the result of terrorist action.

Production by estates amounted to 33,616 tons at the end of March, and on small-holdings to 19,917 tons, a total production of 53,533 tons; bringing the total for the quarter to 157,977 tons, as compared with the total of

171,076 tons for the first quarter of 1948. In this connection it should be noted that production from the estates of 97,060 tons shows an increase against the first quarter of 1948 of 95,095 tons, whereas the estimated production from the small-holdings of 60,371 tons is considerably less than the 75,991 tons for 1948 (January/March).

Rubber Road Surfacing

Rubber planters are hoping great things from the announcement by American engineers that they anticipate making roads that will last longer than ordinary roads by mixing rubber and asphalt for road surfacing. This new use for rubber should help to offset the widespread use of synthetic.

Oil Palm

As at December 31, 1948, according to replies from estates to an annual questionnaire issued by the Registrar of Statistics for the Federation of Malaya, there were 49 oil palm estates in the Federation with a total planted area of 83,499 acres, compared with 79,344 acres in 1941. Unplanted reserve land amounted to 32,598 acres and building sites covered 1,026 acres. The total area of the estates (planted and un-planted) was 116,944 acres, while the area under other crops (excluding rubber, coconut and tea) was 2,069 acres. Of these estates, 26 were in Selangor, 8 in Johore, 5 each in Perak and N. Sembilan, 3 in Pahang and 2 in Kelantan; 35 were under European ownership, 9 Chinese, 4 Indian and 1 Malay. The number of factories was 24 centrifuge and 4 press; and the total labour force numbered 11,564, i.e., 8,255 men, 3,303 women and 2,006 children. Palm oil production during March amounted to 4,055.6 tons, compared with 3,567.6 for March 1948 and 2,585.8 for March 1947; production of kernels totalled 860.1 tons against 6633 and 386.2 for 1948 and 1947 respectively. Stocks in hand of palm oil were 3,899 tons at the end of the month, and of kernels 1,118.8 tons.

Tin and Tin Ore

Imports of tin ore into the Federation and Singapore (excluding movements between these territories) during the month of March amounted to 575 long tons, or cumulative from January 1 to 1,345 tons (the figure for the first quarter of 1948 was 994 tons); the estimated tin metal content was 398 tons, or cumulative figures 959 tons, compared with 720 tons for the first quarter of 1948. The estimated metal content of ore is calculated as follows: Indonesia 74.54%, French Indochina 55.3%, Siam 73.5%, Burma 72.0%, other countries 68.8%.

Tin exports during March were 4,606 tons, or 17,682 tons for the first quarter of this year, shipments during the quarter being higher than for any three months since the end of the war. Exports of tin during 1948 totalled 47,214 tons, for the first six months the figure being 22,965 tons.

The bulk of the exports of tin in March, or 3,650 tons, went to the United States, the British Commonwealth and other countries took 430 tons, and European countries had 526 tons. Shipments of tin to the U.S. for the first quarter of this year totalled 14,250 tons.

Trade of Penang

Exports of rubber from the Settlement of Penang during March totalled 19,624 tons (43 tons less than in February). None went to Russia, for the first time in several months. The United States took 8,832 tons valued at \$6,330,498, Germany followed with 1,185 tons amounting to \$1,319,945, whereas the United Kingdom came third with 1,837 tons valued at \$1,465,030. Rubber imports amounted to 1,240 tons valued at \$867,059.

Tin exports during March totalled 2,270 tons valued at 10,858,133, a drop compared with 3,701 tons amounting to \$17,646,762 in February. The United States took 79% with 1,800 tons, though this was a fall of 1,500 tons compared with February.

Coconut oil exported last month amounted to \$2,449,671. Rice imports were valued at \$9,820,091 for 22,689.23 tons.

The total trade of Penang amounted to \$31,690,878, a fall of about \$8 million compared with February. Imports valued at \$26,279,814 showed an increase over the amount of \$22,537,459 for the previous month.

Soap

A modern and highly equipped factory is now under construction at Kuala Lumpur for Unilever Brothers Ltd. at a cost of \$5 million. When completed, in 1951, it is calculated that production will amount to 5,000 tons of soap and 3,000 tons of edible oils and fats.

Malaya—Japan Trade

The Malayan Governments have now lifted the "ban" introduced last December on Japanese imports, and additional imports limited to essen-

Commercial Developments in Singapore & Malaya

(By Our Malayan Correspondent)

Trade in March

Malaya's foreign trade in March was valued at \$309,155,471, exports being valued at \$129,687,998 and imports \$179,467,473. The comparative figures for February were \$292,939,496, exports being \$155,815,551 and imports \$137,123,945.

For the first quarter of this year the total trade was valued at \$884,157,056, exports \$438,377,994 and imports \$445,779,062. Thus there is an unfavourable balance of trade for the first quarter of \$7,401,068.

The main receiving countries for Malaya's exports in March were:—United States of America, \$33,202,203; United Kingdom, \$15,049,584; Indonesia, \$9,996,662; Russia, \$5,894,117; Germany, \$7,032,966; France, \$5,415,152; India, \$4,138,128; Australia, \$4,176,763; Italy, \$3,145,357; Japan, \$3,014,277; Siam, \$4,047,144; China, \$2,681,283; Canada, \$2,478,480; Hongkong, \$2,196,970 and Netherlands, \$2,231,330.

Imports into Malaya came mainly from the following countries:—United Kingdom, \$33,792,380; Siam, \$25,095,494; Indonesia, \$24,580,570; United States of America, \$12,648,629; Burma, \$10,929,933; Sarawak, \$7,854,661; Australia, \$7,784,760; Egypt, \$7,407,747;

tials will now be permitted. Imports of Japanese textiles, which hitherto have been held up, will also begin shortly.

The ban on Japanese imports was introduced because the total value of import licences taken out by Malayan importers after the announcement of the Japan-Sterling Area trade agreement was Malayan \$10,000,000 while the share-guide for Malaya was only U.S. \$1,500,000.

Japanese shipments which have arrived in Malaya now prove to be not more than this share.

Permission to authorise more Japanese imports, therefore, has been decided after discussions by the Malayan Governments within the framework of the trade agreement with Japan.

Subject to a test of essentiality, similar to imports from hard currency sources, permission to import from Japan will now be given to any Malayan trade on the strength of firm Japanese offers.

PRODUCTION OF MALAYAN MINES

Tin production was increased during the first quarter of 1949. Rehabilitation progressed slowly during the quarter and little change was shown in the total number of miners working. Increased production occurred notwithstanding a considerable fall during February which was caused by the short month and the effect of the Chinese New Year holidays.

Exports of tin ore concentrates for the quarter in long tons were:—January, 6,072; February, 4,788; March, 6,231, making a total of 17,091 long tons. The figures for tin metal content were:—January, 4,554; February, 3,591; March, 4,673, making a total of 12,818 long tons.

China, \$10,411,884; Japan, \$6,472,935; India, \$5,482,174; Hongkong, \$4,709,501; Iran, \$3,586,634 and Canada, \$1,984,727.

Singapore—Indonesia Relations

The Singapore commercial community is annoyed at recent action by the Dutch authorities in Indonesia in clamping down on legitimate trade between Indonesia and Singapore, which according to the Singapore Indian and Chinese Chambers of Commerce, amounts to discrimination on the part of the Dutch and is contrary to the spirit of an agreement made between the Dutch and British Governments in February last.

The three Chambers of Commerce are also very annoyed with the action of the British Board of Trade in negotiating a recent trade agreement with Holland providing for the exchange of goods direct between Indonesia and Great Britain without passing through the normal trade channels of Singapore and Penang.

The three Chambers of Commerce jointly petitioned the Governor of Singapore, Sir Franklin Gimson, last week protesting against the Dutch and United Kingdom action and they are urging the despatch to London im-

Duty paid in the first quarter of 1949 amounted to \$8,692,582. The average assay value of tin was 75 per cent.

The number of tin mines and dredging units operating varied during the quarter. In January, there were 641 in operation, while in February and March there were 629. Of the total of mines and dredging units operated in March, 104 were operated by Europeans and 525 were Chinese mines.

Perak continued to be the most productive state with 44,845 piculs of tin ore from European-owned mines and 26,235 piculs from Chinese-owned mines in March. Selangor was next, the respective figures for March were 19,988 and 10,272.

There was a decrease in the number of labour employed on Malayan tin mines. In January, 46,282 persons were employed, in February, 45,968 and in March, 46,075. In the previous quarter, the number of persons employed was 50,344 in October, 50,947 in November, and 51,267 in December.

Cobal production for the first three months of 1949 was 30,611 tons in January, 26,061 in February and 32,804 in March, making a total of 89,476 as compared with a total of 98,866 in the last quarter of 1948.

Production of gold increased from 668.9 troy ozs in January to 743.2 in February and 1,120.9 in March, making a total of 2,533 for the quarter.

Production of other minerals during the quarter included 9.54 tons of scheelite, 8.8 tons of wolfram, 182 tons of iron ore and 272 tons of china-clay as well as exports of 3,815 tons of ilmenite.

mediately of a delegation composed of members of the three Chambers of Commerce and the Government in order to discuss the matter, if necessary, on the level of the Prime Minister.

In the petition, which consists of more than 3,000 words, the Chambers set forth historical data regarding the pre-war and immediate post-war trade between Indonesia and Singapore and they emphasise the importance to the public of Singapore and the Government of the colony's entrepot trade. They then proceed to point out the discriminatory treatment by the Dutch which they say has virtually brought trade between Singapore and Indonesia to a standstill.

The petition relates how the post-war trade between the two territories was conducted either on a banking basis or on a barter basis in areas where banking facilities were not available. The Chambers say that it is immaterial whether the barter or banking system is used so long as there is no discrimination shown. They proceed immediately to show that recent Dutch action, particularly in Batavia, proves discrimination which is having a serious effect on trade.

The Chambers say that according to the post-war practice under the barter system, Singapore could freely export to Indonesia goods to the value of 85 per cent. of the goods freely exported from Indonesia to Singapore. Now, they say, that this system is no longer permitted by the Dutch who have substituted discriminatory measures such as, firstly, the export of main products (including wet and dry rubber) from Indonesia has practically been disallowed except for a few minor items suitable only for Malayan consumption, and, secondly imports into Indonesia have also been practically disallowed except for negligible quantities.

In connection with exports, the Chambers say that the Dutch have introduced purchasing centres and a system of arbitrarily pricing of exports for currency control purposes which

are beyond the reach of Indonesian traders. Imports into Indonesia from Singapore are permitted only under rigid control centralised in Batavia which holds up the issue of import permits, often cutting down quantities, and eliminating various items, all of which, according to the petition, is done "with the purpose of hampering the free flow of trade."

Rubber dealers and millers in Singapore say that the Dutch place an excessive value on proposed rubber exports and that this figure is higher than that which Singapore millers can pay. This is resulting in wet rubber piling up at Indonesian ports or in Indonesian hands at other places while rubber millers in Singapore are complaining that there is not sufficient rubber coming forward to keep their mills running at capacity and therefore some may have to close down and dispense with the services of some of their employees. It must be stated here that the majority of rubber exported from Sumatra is in this semi-cured condition and needs remilling before it can be considered marketable.

The Chambers emphasise that such discriminatory measures as the Dutch have imposed have virtually brought the Indonesian-Singapore trade to a standstill since March and the effect "has been almost like a guillotine being applied to trade."

The Chambers say that they have no objection to the employment of the banking system provided that the Dutch will still allow an exchange of trade on the 85 per cent.—100 per cent. basis as heretofore always provided that such exchange trade is carried on legitimately. The Chambers also say that such discriminatory measures are a breach of clause 2 of the agreement which says:

"All shipments between the ports within areas where officially recognised banking facilities exist will be financed through recognised banks, the terms of sale being left to the merchants, subject to the approval of the government authorising the export."

The petition also draws attention to the fact that Singapore merchants in planning their visible stock position have always considered exports to Indonesia and the lightning deterioration of the position resulting from the Dutch discriminatory measures during April is that stocks are piling up, particularly textiles, and dealers are finding difficulty in doing sufficient business to cover overhead expenses saying "this can only lead to large failures in the 'bazaar', with attendant unemployment which will affect all sections of the community and Government revenue as well."

The Chambers point out that the inequitable application of the agreement has been "alarmingly aggravated by another trade agreement signed in London at the end of February between the United Kingdom and Holland which aims at increasing the trade direct between the United Kingdom and Indonesia." After reciting the details of this agreement the petition says "the Board of Trade, it is understood, is happy by the fact that they will get palm oil and copra at prices possibly slightly lower than those obtaining in Singapore. Singapore's interests have thus been completely ignored and sacrificed. Such sacrifice of the interests of Singapore seems contrary to the purpose of pouring millions of money into the suppression of banditry and terrorism the danger from which will be amplified if Singapore and Malaya are going to be forced into unemployment and slump conditions through the short-sighted policy of Whitehall. Further this will inevitably involve enormous losses to the American currency pool. We strongly protest against the United Kingdom government entering this new agreement with Holland without consultation with the Singapore Government and the trade and without fully assessing the disastrous repercussions that it must have on Singapore's entrepot trade and on Singapore's entire economy."

The petition urges the Singapore Government to take immediate action by making strong representations to the Dutch Government to "remove all discriminatory measures hampering trade between the two territories thus permitting traders in the two countries to carry on business in the true spirit of the agreement and furthermore that facilities be introduced by the two governments for the immediate resumption of normal trade between the two places."

The petition also says that the "local government should make strong representations to the United Kingdom government, at the level of the Prime Minister, to remove all threats to the position of Singapore as the centre of the entrepot trade in South East Asia and also to make practical provisions enabling Singapore immediately to participate in the trade covered by the agreement made in February and in this connection, if necessary, an appropriate delegation representing Government and the three Chambers of Commerce be sent to London to submit the case for Singapore."

The Chambers also urge the Government "to take steps to follow the example, system and policy, so successfully applied in Hongkong, of easier controls and more elastic application of same, which have proved of incalculable benefit to trade, and therefore the prosperity, of that Colony."

As a result of publication of the petition the inter-banks exchange rate between sterling and Malayan dollars recently declined one-thirtysecond of a penny, indicating a fall in exports.

Dutch officials and traders in Singapore say that the measures they have taken are made essential by the cessation of Marshall aid to Holland and the need to conserve and earn as much foreign exchange as possible. They also say that their foreign exchange control has to be rigidly applied to prevent the marketing or exchange of goods being made through "black market" guilders. They point out that Chinese merchants have made small fortunes through this method in recent months. They also maintain that they are entitled to sell their goods to the highest bidder. These measures are made all the more necessary by fact that the treasury of the Indonesian Government is very low while a great deal of the exports from Singapore to Indonesia in the past have consisted of "luxury" goods which the country cannot now afford.

Commenting on the agreement made in London last February, Fraser and Company, share brokers, in their weekly report say:—

"On all sides among commercial and banking circles in Singapore and Penang alarm and indignation have been expressed at the manner in which the Home government has entered into an agreement with the Dutch for the purchase of palm oil

and other produce from Sumatra in exchange for British manufactures. Full details of this agreement are not yet available in Malaya but it has been revealed that the agreement was made without any consultation whatever with Singapore or Penang interests either government or commercial. The agreement has been made regardless of the disastrous effects which must result from the shutting off of this trade from the natural channels through which it has flowed for a century to the complete satisfaction of all concerned and to the very considerable advantage of British interests. Now that the Ministry of Food has been disappointed in its expectations from its East African groundnut scheme the need for alternative supplies of vegetable fats for Britain must be of prime importance, but these direct supplies could have been ensured without sacrificing the trade in manufactured goods through the distributive centres of Singapore and Penang. And all this with no compensating advantage to Home exporters many of whom are even now maintaining stocks in Singapore for shipment to Indonesia. The united memorandum to the Governor of Singapore by the Chambers of Commerce states the case for the merchants and the population of Singapore whose very livelihood is jeopardised by the ill-considered act of the Board of Trade."

The Economic Affairs Department of the Singapore Government confirmed that it had not been consulted before the agreements were completed in London, the first they knew about it was from Press reports.

Rubber Position

Commenting on the rubber market Lewis and Peat (Singapore) Ltd., rubber brokers in a report dated May 6 say:—

"Prices have continued to fluctuate mildly between 35 and 36 cents, in spite of factors which, in the ordinary way, might have been expected to move the market to a higher level.

"The markets of the world, generally speaking, appear very sensitive to bearish propaganda and the success of this in the case of rubber is quite surprising and little is done to counter it.

"A report from New York at the end of last month suggested that owing to developments in China the East would become a more aggressive seller of rubber, as it might see fit to transfer good quantities to consuming markets which could very well cause heaviness in nearby rubber. Now this suggests that large stocks of rubber are held in the East which is quite erroneous. We maintain, anyhow as far as Malaya is concerned, that there is no surplus stock. In fact the stock in Malaya is the barest working minimum.

"Of the 120,000 tons held in Malaya at the end of March, 20,000 tons were

on estates in the course of preparation and 18,000 tons were at the docks awaiting shipment. This leaves 90,000 tons in the hands of dealers and millers, 10,000 tons being in the hands of millers in process of manufacture and the remainder was in the hands of dealers being selected and packed for shipment. As Malayan shipments average about 80,000 tons a month, it is obvious that there is no stock worth mentioning except that which is being moved as fast as possible from the growers to the consumers.

"As published by the Rubber Study Group world stocks at the end of March showed a decrease of 42,500 tons, consumption in March exceeded production by 12,500 tons, and in February the excess consumption over production was 14,500 tons.

"These are much brighter figures than those given at the last Rubber Study Group meeting, and no doubt the figures given at that meeting were based on the best information available it only goes to show how unreliable prophecies are and what harm they can do. To some extent we must attribute the present policy of hand to mouth buying by consumers to the supposition that lower prices would naturally follow the surplus predicted."

Foreign shipments of rubber from Malaya, including re-exports, in April totalled 74,586 tons, a decrease of 2,849 compared with March. This brings the total shipments for the first four months of this year to 326,981 tons, compared with 303,064 tons in the corresponding period of 1948.

Chief recipients of April shipments were:—

United States of America, 25,762 tons; Russia, 12,814 tons; United Kingdom, 9,838 tons; France, 5,382 tons; Germany, 5,134 tons; Italy, 2,812 tons; Canada, 1941 tons; Sweden, 1,862 tons; South Africa, 1,641 tons and Spain, 10,300 tons.

Share Market

In their latest weekly report on the Singapore share market Fraser and Co., share brokers, say:—

"Dull conditions prevailed on Malayan markets during the week, neither was there any brightening on the announcement of the lifting of the Berlin blockade. With rare exceptions prices drifted down, but lower markings attracted investment buying of several large parcels of industrials.

"Dollar tin shares were inclined to weaken. Both London and Sydney showed a total lack of interest in sterling and Australian issues. There was small selective buying of rubber shares but the general trend in this section is still downward.

"Loans ruled firm, scant notice being taken of the announcement of the impending flotation by the Federation of Malaya of an £8,000,000 loan in London."

Review of Developments in the Philippines

The Philippine Government's economic program has been given more definite shape by basic policy decisions of the Cabinet and National Economic Council. It has been decided that the economic mobilization fund of 200,000,000 pesos to be released by the Central Bank will be allocated according to the following scheme of priorities: (a) Projects to increase agricultural production, (b) development of sources of power, (c) rehabilitation and expansion of transportation, and (d) development of industries.

To implement the program, the Central Bank will release approximately 30,000,000 pesos for rice, fisheries, coconut, and live-stock projects, and a separate fund of about 11,000,000 pesos for rehabilitation of the tobacco industry. The Bank also has advanced 469,200 pesos for loan to the National Development Co. as the down payment on the construction of three 10,00-ton 17-knot combination freight and passenger motorships. Contract for the vessels was signed with a Japanese shipyard on March 20, 1949. The ships, of which the total cost will be 14,000,000 pesos, are to be delivered, starting in 18 months, to the de la Rama Steamship Co. for sale, lease, or a management contract. The Government has considerable interest in the company.

Plans for reorganization of Government enterprises have been abandoned, in favour of appointing a full-time vice chairman for the Government Enterprises Council as coordinator of the Government's business activities. On several recent occasions Government officials have indicated that new enterprises would be limited to fields neglected by private initiative, or demanding Government intervention in the public interest.

In answer to the assertion of business leaders that Government activities were competing with private enterprise and discouraging investment of new private capital in industry, the President on March 14 announced that all Government corporations currently earning profits—except those dealing in prime necessities—were available for sale, lease, or private management contract. In the meantime the Government agreed to restrict sales of hollow cement blocks to Government projects and announced a reduction in the price of cement.

The Chamber of Commerce of the Philippines has assigned a committee to develop a definite proposal for revision of Philippine-American trade relations. As contemplated by one spokesman, an agreement assuring lists of selected products free entry in the United States for 25 years may be proposed. Shortly after this announcement, the President instructed the National Economic Council to make an exhaustive study of the Philippine Trade Act of 1946, and the Executive Agreement implementing the Act, to determine the position the Philippine Government should take on the bill recommending repeal of the Trade Act now pending in the United States Congress.

The general average of retail prices leveled off in mid-March, as rice held firm and fish and egg prices showed gains. Other food prices continued to edge downward, however, and it appeared that the gradual decline in the price level in evidence since October 1948 was only temporarily arrested.

Return to private business

The availability for sale, lease, or placement under private management contract of certain "profit-making" enterprises owned by the Philippine Government was announced by President Quirino on March 14, 1949. The Government is ready to negotiate with private investors for purchase or control of the following subsidiaries of its National Development Company: the textile mill, nail factory, sawmill, sugar refinery, and food-canning facilities. Also mentioned are the Manila Hotel, the Government's Housing and Home-site Corporation, and the latter's hollow-cement-block factory. In all cases, priority will be granted firms with 60 percent or more Filipino-owned capital. Consultations may already be under way regarding some of the entities, including the sawmill and the sugar refinery. Possibly the sawmill may be purchased by a Filipino-American combine, while the National Federation of Sugar Planters has requested first consideration in the sale of the refinery.

Although the Government's announcement referred to all enterprises offered for sale as profit-making, specific information on their individual financial position is not available. It is known, however, that the 80,000-foot sawmill in Mindanao has never been in operation, the reconstructed sugar refinery reopened only in February 1949, and the nail factory commenced limited production in late 1948.

INDONESIA

Textile Imports

The Central Office of Imports in Indonesia recently ruled that allocations of foreign exchange for purchases of textiles from hard-currency areas were suspended until further notice. This decision ended the period of uncertainty which had prevailed among trade circles since the suspension of all exchange allocations by Indonesia's Foreign Exchange Control Institute last December, pending a determination of Indonesia's exact exchange position. The action should be considered as a result of a progressive tightening of the exchange situation, particularly the dollar trade position, intensified by December's military action and subsequent suspension of ECA aid to Indonesia.

The following regulations regarding the allocation of foreign exchange for textile imports were issued on February 4:

1. Textiles to be purchased only from the Netherlands and "treaty" countries, specified as France, Belgium,

Spain, Trizonia, Switzerland, Italy, Czechoslovakia, and Hungary.

2. No purchases to be made from treaty countries beyond the quantity specified in the trade agreement.

3. No purchases from sterling countries (England, Hongkong, Singapore).

4. Abandonment of the "historical rights" quota, thus enabling individual importers to contract for purchases beyond the percentage share amounting to 30,000,000 guilders (US\$11,400,000 at current rate of exchange of 2,625 guilders=\$1).

Trade estimates place existing textile stocks in Indonesia at 100,000,000 yards, including the quantities known to be available in recently reoccupied areas. Textile stocks in these districts are larger than anticipated, as the cumulative result of barter and smuggling, principally with Malaya. These stocks, plus orders for which exchange has already been allotted, are estimated to represent 7 months' supply—an estimate, however, which may be subject to modification should "free" sales be resumed. Free sales, terminated simultaneously with the second police action of December 18, 1948, had accounted for one-third of total sales, and controlled distribution for the remaining two-thirds.

Import statistics show that during 1947 and January to November 1948, textile and clothing imports from hard-currency areas—United States, Japan, Switzerland, Belgium—amounted, respectively, during the two periods cited, to 47.5 percent and 58.8 percent of total imports of textiles and clothing; and textile imports alone to 49.7 and 62 percent, respectively.

The textile program for all of Indonesia as originally planned in May and June 1948 for the calendar year 1949 covered imports of 425,000,000 yards for the Federal territory, plus 175,000,000 yards for the Republican area. A substantial portion of this quantity had originally been scheduled for procurement from the United States and Japan, even though at that time the dollar scarcity was already acute. The Japanese contract, termed the largest of its kind, called for supplying Indonesia with US\$37,500,000 worth of textiles.

New Import System

The Indonesian Department of Economic Affairs has announced that the "historical rights" system of allocating import quotas to importers on the basis of their prewar share in imports, with certain exceptions, was abolished, effective March 1, 1949. Pertinent provisions of the new regulations are as follows:

1. All bona fide importers may make applications for imports from soft-currency and sterling countries, subject only to existing restrictions, under the Government's over-all import plan, with regard to volume and types of merchandise to be imported, prices, and country of origin;

2. The authority thus far exercised by the trade covenants (organisations of prewar private importers) to allocate imports and approve the volume, types of merchandise, prices of proposed imports, and country of origin reverts to the official Government agency, the Indonesian Central Board of Trade;

3. The historical rights system with regard to imports from hard-currency countries (United States, Canada, Japan, Belgium, Switzerland, and Portugal) will also be abolished as soon as practicable, according to the officially stated policy, but is currently retained because Indonesia, although having a good supply of soft currencies, is still short of hard currencies, especially dollars. (Following suspension of ECA funds for procurement of supplies for Indonesia, the Government temporarily suspended purchases from the United States because of the critical dollar position, pending a review of the overall import plan).

It is believed that any change in the pattern of distribution of trade among importers will not become immediately apparent.

Regulations for Foreign-Exchange Licences and Import Permits

1. Exchange licences for imports shall in general not be valid for longer than 6 months. Only in exceptional cases will a longer period be granted if, in the judgment of the Foreign-Exchange Institute after discussion with the C.K.I. (Central Import Bureau), this is justified.

2. No extension of these licences will be possible unless the importer can prove to the satisfaction of the Foreign-Exchange Institute that: (a) the order has been definitely placed within period governing validity of the exchange licence; (b) opening of credit was not required; (c) on account of exceptional circumstances, the goods could not be shipped within the validity term of the exchange licence.

3. Extension of credits or exchange contracts closed on the basis of these licences will be permitted if, in the judgment of the Foreign-Exchange Institute, this is justified.

4. Applications for extension of the exchange contract and/or credit should be filed before the expiration date of the credit or contract as per Form 44 (in triplicate) which, after being countersigned by the surety bank, should be submitted to the Foreign-Exchange Institute, Central Administration Division, Batavia-C.

5. The import certificates accompanying the exchange licences shall be valid 1 month longer than the exchange licence itself.

With regard to imports from treaty countries (France, Belgium, Spain, Trizonia [Germany], Switzerland, Italy, Czechoslovakia, and Hungary), exchange licences will be valid only for purchases of goods in the treaty country which is expressly stated on the licence as the country of origin.

Revision of the country of origin stated on the licence will be permitted by the Foreign-Exchange Institute acting upon the recommendation of the Central Office of Imports.

Rubber Exports from Indonesia

Indonesian exports of plantation rubber in February 1949 amounted to 9,797 tons to the value of Fls. 11.2 million and exports of native rubber to 13,631 tons worth Fls. 11.4 million.

In January 16,778 tons of plantation rubber and 11,603 tons of native rubber were exported. Compared with January and February last year rubber exports have greatly increased.

Increase of Air Traffic.

Aviation in Indonesia is expanding. This is shown by the transport figures of the Interinsular Department of K.L.M., the present monthly figures being 17,500 passengers, 150 tons of mail, 325 tons of luggage and 500 tons of goods.

Copra Exports from East Indonesia

Exports of copra from East Indonesia amounted to 28,140 tons in March 1949 (against 33,755 tons in January and 20,662 tons in February).

The countries of destination were (in tons):—

Netherlands 14,541; United Kingdom 4,064; United States of America 2,134; Czechoslovakia 1,016; Switzerland 508; Bizon of Germany 3,048; Canada 1,067; Belgium 2,032.

Trade of Indonesia

Trade in December 1948.

Exports from the Federal territory of Indonesia during December 1948 amounted to 440,361 metric tons valued at 88,799,139 guilders. The lower level of shipments abroad during that month as compared with November constitutes a decline of 12 percent by volume and 16 per cent by value.

Leading export commodities showed comparable decreases during the month under review, led by copra which declined 36.7 per cent in volume, followed by rubber—21.5 per cent; tin ore—10.3 per cent; and petroleum—4.9 per cent. By weight, these exports totaled as follows: Copra—16,422 tons; rubber—17,788 tons; tin ore—3,645 tons (2,624 tons in mineral content); and petroleum—347,105 tons. In terms of value, the products listed above grossed the following: Copra—10,164,000 guilders or 11.4 percent of the total value; rubber—17,426,317 guilders, or 19.6 per cent; tin ore—13,489,877 guilders, or 15.2 per cent; petroleum—25,330,805 guilders, or 28.5 per cent.

During December, exports to the United States amounted to 35,440 tons valued at 15,633,109 guilders (US\$5,940,581), or 17.6 per cent by value of total shipments to foreign destinations. The Netherlands accounted for 26,234,533 guilders, or 29.5 per cent;

Singapore—15,139,627 guilders, or 17.0 per cent; Great Britain—1,525,388 guilders, or 1.7 per cent; Japan—1,008,557 guilders, or 1.1 per cent; Hong-kong—957,507 guilders, or 1.1 per cent; Australia—320,016 guilders, or 0.4 per cent.

The import level during December attained a post-war peak in value—the total quantity was 253,355 metric tons, 172,566,810 guilders. Previous post-war highs had been recorded in March and November 1948 when about 122,000,000 guilders' worth of foreign merchandise had been purchased. The import trade for the final month of 1948 represented an increase of 4.4 per cent in weight and 40.8 per cent in value over the corresponding levels in November.

Heavy increases were evident in most commodity import groups. Textiles, machinery and parts (including vehicles), base metals and products, and foodstuffs represented almost 75 per cent, by value, of all goods imported into Indonesia during December. Specifically, textiles constituted the principal group of imports, comprising 43,806,855 guilders, or 25.4 per cent of the total, followed by machinery and vehicles—38,005,253 guilders, or 22.0 per cent; food—26,418,411 guilders, or 15.3 per cent; petroleum and coal—9,490,814 guilders, or 5.5 per cent; clothing—8,801,540 guilders, or 5.1 per cent; chemicals and pharmaceuticals—7,697,296 guilders, or 4.5 per cent.

Imports from the United States in December exceeded all previous monthly figures since the resumption of recorded imports in 1946, amounting to 33,256 metric tons valued at 30,387,905 guilders (US\$11,547,403), and representing 17.6 per cent of the declared value of total imports. This compares with imports valued at 25,699,044 guilders from the United States in the preceding month. The Netherlands led all other suppliers in December, its share rising to its highest post-war level of 27,168 tons worth 38,842,636 guilders, or 22.5 per cent of the total, as compared with 16,598 tons worth 22,330,278 guilders in November. Japan increased its shipments to Indonesia during December to 9,458 tons valued at 28,513,067 guilders, or 16.5 per cent of the total, from November's level of 19,755,336 guilders. Shipments from Great Britain also continued to rise, achieving a post-war record with 14,718 tons at a cost of 20,601,170 guilders, or 11.9 per cent of the total, as compared with shipments valued at 11,677,397 guilders during November.

Trade for the year 1948.

Totals for 1948 show that exports amounted to 5,185,000 tons valued at 1,039,887,000 guilders, and imports totaled 2,117,000 tons 1,153,697,000 guilders, leaving an adverse balance of 113,810,000 guilders. This compares with exports of 1,212,425 tons valued at 341,563,000 guilders during 1947

The Japanese Exchange Rate

(1) EFFECTS AND INFLUENCE ON INDUSTRIES

The establishment of the single general rate for currency exchange marks a new epoch in Japan's postwar economy. For, henceforth, with industrial profits and rationalisation based upon the new rate, the entire economy must be managed in accordance with its requirements.

This is easier said than done: adaptation to the conditions brought about by the new rate will be no easy matter for many an industry, as for instance silk, shipbuilding and light metals. Given enough time for readjustment, these enterprises might be able to operate at the rate of Y360 to the dollar. But it has already been decided that the new single rate will be effective as from April 25, with

and imports of 909,388 tons valued at 753,902,000 guilders, a deficit of 412,-097,000 guilders.

The general pattern of trade in 1949 as compared with 1947 and pre-war showed its most significant differences with regard to imports. Although by value the proportion of Indonesian imports involving dollar payments (i.e., imports from the United States and Japan) decreased from 47 per cent in 1947 to 38.7 per cent in 1948, and by volume from 33.5 to 16.8 per cent, the actual value of dollar imports increased 26 per cent and the volume, 17 per cent. Purchases from Japan increased 210 per cent by value and 143 per cent by volume, while 1948 sales by the United States showed a decrease of 11.5 per cent by value from 1947, but an increase of 8 per cent in volume. With the return of Indonesian imports during 1948 to the pre-war level, the United States share during 1948 was about double that of 1938, the respective percentages by volume being 14.6 and 7.5 per cent, and by value, 22.5 and 12.4 per cent.

Trade with the Netherlands indicated a return to the pre-war pattern, the proportion of Netherlands share in Indonesian imports increasing from 13.1 per cent (by value) in 1947 to 19.1 per cent in 1948, as compared with 21.9 per cent in 1938. By volume, however, the 1948 proportion of 7.5 per cent was still considerably below 1938 (11.1 per cent) and even below 1947 (7.8 per cent).

With regard to exports, which during 1948 recovered to about 47 per cent (by volume) of 1938, the United States share during 1948 was, by volume, more than double its 1938 share (9.3 per cent and 4.2 per cent of total Indonesian exports, respectively). By value the 1948 share was 17.5 per cent, as against 13.5 per cent in 1938. The Netherlands share during 1948 was only slightly above that of 1938 (8.6 per cent and 7.3 per cent by volume, respectively), but by value the corresponding percentages were 35.8 and 20.3 per cent.

no exception permitted. So, if anything goes wrong, a large part of the enterprises mentioned may be forced to face bankruptcy through sheer inability to effect readjustments in time.

Since, in the long run, unprofitable and uneconomical enterprises are not worth maintaining, it may be that their failure is a necessary evil. But the fact remains that under the actual circumstances this is not unconditionally true. It is evident in many cases that if the difficulties of the adjustment period can be tided over, not only will Japan's export trade be greatly aided, but her economic reconstruction will be given added impetus. Therefore, it is of utmost urgency to provide some means whereby the shock of the new single rate upon these enterprises could be softened. Needless to say, the adoption of the new exchange rate will bring about a change in the policies concerning government aid to industries; but special consideration must be given to helping the truly essential enterprises withstand the blows they will receive.

The ways in which these considerations can be put into practice are of course limited. Export subsidies cannot be granted, and it will also be difficult to give out government aid in any other way. For, not only are the sources of government subsidies dried up, but it would be regarded as unfair to give aid to specific enterprises only.

However, it does not mean that there is no solution. As already mentioned, the principal cause of the difficulties is the suddenness with which the new rate is being put into effect: it is not that these industries are permanently disabled at an exchange rate of Y360 to the dollar. Therefore, all that need be done is to give one or two years' time for adjustments, thus permitting these enterprises to raise operational efficiency, introduce new techniques and slash production costs.

The suggested measure can best be put into practice today by providing for proper financing. A closer study of each enterprise will, of course, bring out individual problems. But the principal difficulty common to all the enterprises involved is that of funds; and it is no exaggeration to say that aid in financing would be the most effective form of aid.

Roughly speaking, there are two ways of providing funds. The first is unhesitating grant of loans for rationalization of management. For, any industry unable to operate at the level imposed by the new rate of exchange must reduce production costs by a determined effort in rationalization. In this event, primacy must be given to the adoption of new and improved techniques. In the case of silk filatures, automatic reeling machines and the use of cone winders can be cited; and for these improvements considerable capital is required. The general adoption of automatic reeling machines alone would cost the silk industry some hundreds of millions of yen.

Another way of effecting rationalization, though inferior to that of improving technique, is reduction in personnel. Today, dismissals entail considerable expense in retirement and separation pay. Unless funds are available, timely carrying out of personnel readjustments cannot be done and the slashing of production costs is hampered.

Some industries, of course, do not require rationalization or are unable even to make an attempt. This holds true with those businesses which, currently operating at low output and at loss, are certain to pick up once demand becomes normal and utilization of facilities improves. Shipbuilding is a good example of this type of enterprise, for which the second method of providing aid should be considered. This second method of financial aid is the revival of "deficit" financing, somewhat discredited since the announcement, late last year, of the "Three Principles of Wage Stabilization." What is required is lending with adequate prospect of returns and carried out only as a provisional measure over a period of one or two years; and it must not be confused with "deficit financing" as heretofore practised for the coal and electrical power enterprises.

Another financial measure in connection with the adoption of the new single rate of exchange is the provision of adequate funds for operational expenses. The government financing plans to date have been based on an exchange rate of Y330 to the dollar. Therefore, with the revised rate of Y360 to the dollar a proportionate increase in operational funds for export industries will be required. Unless this increase is sufficiently provided for, unnecessary friction will result.

Since the city banking institutions alone cannot possibly cope with the difficulties, government assistance will be required. For, it cannot be denied that there are considerable factors of risk involved in connection with future ability to redeem the loans granted either for rationalization or for the coverage of immediate deficits.

(2) DOMESTIC PRICES & IMPORT PRICES

What will be the effect on prices of the new single exchange rate of Y360 to the dollar? If price adjustment expenditures are to be wholly suspended, there will be an inevitable and considerable rise in prices. For, since the average conversion rate for imported goods at the beginning of this year was about Y130 to the dollar, the application of the single Y360 rate will mean a jump of some 280 per cent in imported commodity prices. And, with foodstuffs and raw cotton, which heretofore had been available at Y80 or Y90 to the dollar, the rise will be more than fourfold.

The Government therefore has decided, in adhering to the Dodge Policy of maintaining prices at current levels, to keep down the prices of imported commodities by the outlay of some Y83,300 million in import subsidies from the General Account of the 1949-50 Budget.

The imported commodities to which government subsidy will be applied number some thirty items in five classifications as listed in the subjoined table; and the amounts allocated are: Y40,600 million for foodstuffs and animal feed, Y11,800 million for fertilizers, Y20,400 million for essential raw materials (coal, pig iron ore, graphite, etc.), Y6,500 million for textile fibers, and Y3,700 million for others (rubber, tannin, etc.). However, since these appropriations have been calculated on the basis of the import conversion rate of Y330 to the dollar, generally applied since April 1, last, the new rate of Y360 to the dollar will bring about a rise of about 9 per cent in the domestic prices of imported goods.

*Import Subsidies
(In million yen)*

| | At Y330 | At Y360 |
|------------------------|------------------|------------------|
| | to the dollar | to the dollar |
| Food and Feed | 40,600 | 49,200 |
| Fertilizer | 11,800 | 13,400 |
| Essential Raw Material | 20,400 | 23,800 |
| Textile Fibers | 6,500 | 7,300 |
| Others | 3,700 | 4,300 |
| Reserve | 100 | 0 |
| Total | 83,300 | 98,100 |

Therefore, if domestic prices are to be pegged at their present level, the subsidies will have to be increased. If this cannot be done, a reconsideration of the items to be subsidized and a reduction of allocated amounts will have to be effected.

On April 26, the Government at an emergency Cabinet meeting made it clear that it intended neither to effect price revisions nor increase import subsidies. Assuming that the present price level is to be maintained despite the change in the exchange rate, the required increase in subsidies according to the Economic Stabilization Board is some Y14,900 million; Y8,600 million for foods and feed, 1,600 million for fertilizer, Y3,400 million for essential raw materials, Y800 million for textile fibers, and Y600 million for others.

Of these items, foodstuffs have already been marked up some 13 per cent in retail prices since April 14, so further boosts are improbable. Any upward revision in fertilizer prices which have close relation to food quotations must also be avoided. Since these two items take up more than 60 per cent of the subsidies, and since essential raw materials must be kept at low price levels, the reduction of subsidies to other imports or elimination of certain items from the subsidized list cannot be avoided if there is to be no overall increase in the appropriation for price adjustment.

Actually however it should be possible to manage with a relatively small increase in the total amount. For, of the above-mentioned Y83,300 million the amount earmarked for payment is Y81,300 million, leaving a surplus of Y2,000 million; while, among the essential raw materials the subsidies for graphite, rubber and tannin, among others, can be reduced without excessively bad results.

Industrial Reports from Japan

THERMOS OR VACUUM FLASKS

Thermos manufacture has become one of Osaka's principal export industries since it was first started there about five decades ago. Thermos makers are roughly divided into three groups: (1) Makers or processors of glass bottles, (2) makers of cases, and (3) assemblers of glass containers and cases. It is not seldom that the assembling business is undertaken by some bottle or case makers. There is no company, however, which simultaneously undertakes the three phases of this industry on a large scale. This may be ascribed to the fact that domestic and foreign demands have not been so large as to necessitate mass production, as vacuum flasks are not daily essentials in the strict sense of the term.

In 1937, there were 7 bottle makers, 14 bottle processors, 11 case makers and 17 assemblers. Their number has decreased to only 7, excluding case makers, due to wartime industrial adjustment. It should be noted that minor interests have incorporated themselves into the Nippon Mahobin Kogyo K.K.

The thermos making capacity for January-March, 1949 is estimated at about 1,000,000 pieces. This means that the capacity itself has already been restored to the prewar level, inasmuch as the 1937 output totalled about 3,600,000 pieces valued at Y2,380,000. Actual production in 1948 was a little more than one million pieces or one-third of the 1937 figure. As thermos making for domestic consumption is practically banned, the entire current production is scheduled for export. Inferior flasks, comprising 2 or 3 per cent of the total output, are released for home consumption. Such being the circumstances, the export figures in the appended Table can be considered to indicate the rough estimates of thermos production after the war's end.

In 1937, 2,100,000 thermos bottles were exported abroad, of which about 45 per cent was shipped to India, 25 per cent to China and the rest to the South Seas and the Western Hemisphere. Of the postwar shipments, however, 80 per cent went to India, 10 per cent to the Netherlands East Indies,

There is, moreover, the likelihood of difficulty in complete absorption of the subsidies appropriated, and the government may be forced to make partial adjustments in prices. Even in this event, the policy appears to be to depend upon rationalization and other efforts on the part of private enterprise to take up, in secondary and tertiary products, the price rise in raw materials and thus keep the prices of end products untouched. The Government seems to be confident that in so far there will be no change in the domestic prices of foodstuffs, feed, and other essential raw materials, there will be no marked effect on the general level of prices. This view cannot be accepted as correct.

Siam, and Aden, and 10 per cent to the United States.

As the price ratio for thermos flasks has been about Y600 to the dollar, though recently revised to Y425, the final Y360 rate will have far-reaching effects on this industry. Nothing appears to be more essential than to have the dollar prices properly raised by foreign buyers on the other.

Postwar Thermos Exports

| | Volume in Prices | Value in Y1,000 |
|--------------------|---------------------|--------------------|
| 1947 (Jan.-Dec.) . | 51,780 | 1,797 |
| 1948 Jan.-June .. | 85,520 | 29,276 |
| July-Sept. .. | 261,420 | 58,562 |
| Oct.-Dec. .. | 662,562 | 271,113 |
| Total | 1,009,502 | 358,951 |
| 1949 Jan.-Mar. .. | 1,000,000 | 400,000 |

MATCHES

Since the abolition in August, 1948, of the official control on matches, strange as it may sound, so-called "regular match makers," who are receiving wood supplies from legal channels, have been losing ground in this industry, so much so that some of them will go into bankruptcy. On the other hand, those makers who are evading the commodity tax through shrewd manipulations have been enjoying a huge amount of unjustified profit.

With about 400 match making machines in 55 plants, 35 "regular makers" are estimated to have an annual capacity of 48,000 match tons. They are operating at 50 per cent of this rated capacity because domestic consumption now averages about 24,000 match tons a year. In addition, since the de-control of last year, the number of outsiders (mainly tax-defaulters) has increased to about 130 with 200 match making machines. It is generally held that production by these outsiders alone is well able to meet the home demand.

Each match making machine, which is being sold at Y200,000 or so, can manufacture 100 match tons every month. With the commodity tax rated at Y3,888 per match ton, the annual tax payment is estimated at about Y5 million for each machine. If such a heavy tax were evaded, match making business could easily make both ends meet even provided that material wood was bought at black market prices. There is little wonder that the number of outsiders has been increasing of late. In striking contrast, if the commodity tax is paid regularly, match makers can manage to break even in the best condition, and it is not seldom that they might suffer a loss of Y70,000-80,000 per match making machine every month.

In view of these circumstances, "regular makers" are demanding that the commodity tax be imposed strictly on matches made by outsiders. This is, however, easy to speak but difficult to accomplish, for match making machines can easily be removed anywhere at anytime so that the tax may be evaded. Many defaulters would not pay the assessed tax even if their property is attached, and some of them are going so far as to start illegal match business somewhere else. "Regular makers" fur-

ther contend that the commodity tax be reduced to a quarter of the present rate if strict imposition on illegal makers is practically impossible. If this is put into practice, they may well be able to compete with outsiders because they are provided with wood and other materials at the official prices.

Prior to the de-control in August, last year, match rations up to December, last, had already been supplied. Demand drops by about 50 per cent in the winter months because charcoal is widely used. Besides, a sizeable amount was put on the free market by outsiders. Under such circumstances, stocks in the hands of "regular makers" have piled up to about 50,000 match tons. Still worse, owing to the increasing accounts receivable "regular makers" now have a loan of about Y450 million, and they are finding it hardly possible to get any more credit from banks.

Such being the case, there are not a few makers who cannot pay the commodity tax. As already pointed out, matches in stock are so large that they cannot be stored in toto in the warehouses of makers. The trouble is that if their stocks are removed to any outside warehouses, makers must pay the commodity tax in the following month, irrespective of whether or not their stocks are sold on the market. On the other hand, they cannot easily have their bills receivable discounted by banks. Thus, they are in no position to pay the tax regularly. The delay in tax payment is such that many of them will have their property attached by tax offices by the end of May. With regard to the attached matches, makers are asking that the authorities concerned refrain from public auction, for they would be hardest hit if these attached matches are sold cheap through auctioning.

Last but not least, the "regular makers" are anticipating a good deal from overseas shipments. It is reported that Swedish, Italian and Chinese matches are being retailed at \$80, \$70 and \$35, respectively, per match ton in Singapore and Hongkong. The limit price offered by foreign buyers to Japanese makers was first \$20 but has recently been raised to \$27. At this rate, the price ratio for matches would be Y380 to the dollar if wood and other materials were acquired at the official prices. Five match tons were recently shipped abroad as sample. If exports should increase, "regular makers" would willingly devote themselves solely to exportable brands.

SOAP

For fat and oil products, with soap as the most important item, the output concentration system was set into motion from April 1 with the adoption of the purchase subscription coupon system. There is increasing fear, however, that this will bring about serious effects on the soap industry, minor makers in particular.

As at the end of 1947, there were 235 soap plants with an annual capacity of 564,000 metric tons. The number of plants has increased to about 500, with an estimated capacity of more than 1,000,000 tons, for the following rea-

sons: (1) A tangible amount of domestic oil seeds has been sold through market channels; (2) Supply has been far short of demand for soap; (3) The enterprise permit ordinance has been abolished. Soap production, however, has failed to pick up due to the serious shortage of oil seeds. In 1948, for instance, output totalled not more than 13,800 tons. This means that the industry was operating at only 2 per cent of capacity.

Domestic oil seeds are so scarce that 80 per cent of the present consumption is now being imported from abroad. On the other hand, soap manufacturing capacity is too large in comparison to the supply of oil materials. What is worse is that materials are being supplied on equal terms and conditions to all soap makers, large or small, irrespective of whether they make superior soap. This naturally leads to waste of materials, and who can deny the urgent need of production concentration in rationalized plants? The tendency in this direction has been further accelerated by SCAP's announcement of the Nine-Point Economic Program.

Concerning the concentration of soap production, three different steps were first studied: (1) To designate big-scale efficient corporations, (2) designate rationalized plants and (3) to adopt the purchase subscription coupon system so that consumers may be able to buy any brand they like. The pros and cons of these measures having been discussed by the authorities concerned, the third plan was finally adopted.

Under the coupon system, consumers specify dealers through whom they would like to obtain rationed soap by voluntarily registering their coupons with them. Retailers who obtain more than 500 subscribers in big six cities (more than 300 subscribers in other cities and more than 200 subscribers in towns and villages) in such registration are deemed to be the only ones qualified to deal in soap. Retailers on their part designate their favourite wholesalers by handing their collected coupons over to them. On collecting 40,000-50,000 coupons, wholesalers deliver these coupons in turn to soap makers, who will be provided with necessary materials in ratio to the number of coupons they received. Thus the coupon system aims at weeding out unscrupulous or incompetent retailers and driving out inferior brands from the market, with the ultimate result of achieving production concentration and industrial rationalization.

The above-mentioned coupon system can be said to be rational and feasible because due consideration is paid to free competition. A certainty and a problem is that the coupon system will cause a considerable number of minor enterprises to collapse, as the soap industry features too many small and medium scale makers in useless competition among themselves. The situation, furthermore, is not too bright even for leading soap companies, for all of them are now conducting campaigns to collect as many coupons as possible in anticipation of production concentration. As these big makers have to compete in price and quality and to

lavish money for advertisement, it seems improbable that they will succeed in garnering wide margin profits. All things considered, six or twelve months will have to elapse before inefficient makers will thus be combed out somehow or other. In such a case, the number of soap makers is expected to fall to as low as 40 or 50. Incidentally, so-called first class makers, such as Nissan Kagaku, Asahi Denka, Lion Yushi and Daiichi Kogyo Seiyaku, comprise about 30 per cent of the total capacity.

Then, current monetary stringency is destined further seriously to affect the soap industry. Soap makers now urgently need tangible working capital although they require almost no fund for equipment expansion under the present over-capacity condition. While they pay cash for oil seeds bought from the Fats and Oils Distribution Corporation, they receive bills from wholesalers. This constitutes a big handicap for them. What is still worse is that they are finding it difficult to have these bills discounted by banks.

Imports of oil seeds, etc. during 1949-50 are estimated at 130,000 metric tons, of which 36,000 tons are earmarked for soap making. With the present capacity it may not be difficult for Japanese soap makers to consume this supply of oil material, and a marked improvement may well be anticipated this year due to the enforcement of the coupon system. Lack of working capital, however, appears to be a hard nut to crack for soap makers, especially as a huge sum of money has already been lavished for campaigns to collect subscription coupons. On this account alone, many minor interests will have to wind up their business.

Prospects for Development in British Borneo

Before the war the four British territories in Borneo (Sarawak, North Borneo, Brunei and Labuan) were almost unknown to the outside world. The easy-going squirearchical rule of the Brooke family in Sarawak and of the Chartered Company in North Borneo, however much the natives may have preferred it to modern high-pressure colonial administration, was obviously something that could not be expected to last long in a post-war world of Trusteeship Councils, international conferences and Asiatic nationalism. The constitutional changes which took place in these territories after the war, especially the controversy which still continues over the cession of Sarawak to the Crown, have combined with the contraction in our Asiatic possessions to focus attention on these hitherto obscure territories.

Several factors have been responsible for this interest. First, both Sarawak and North Borneo are still undeveloped countries. It was the deliberate policy of the Brookes to keep out big business as far as possible (with the result that 95 per cent of the rubber in Sarawak is in the hands of smallholders), and,

in the case of North Borneo, the Chartered Company was always handicapped by lack of capital and resources.

Second, both territories are at an early stage of political evolution, and large concerns are bound to be interested in a part of Asia that is still free from nationalism, political discontents and labour trouble. It seems unlikely, certainly in North Borneo, that there can be any large-scale development without a greatly increased population. Since the internal rate of increase is slow, this demand can only be met by immigration. North Borneo hopes to be able to bring in large numbers of Japanese settlers once a political settlement is reached in Indonesia. Both Sarawak and North Borneo are unwilling to permit any large-scale Chinese immigration, not only because there is always a tendency for the Chinese to become an *imperium in imperio* when they settle in a foreign country on any scale, but also because there is the danger that they will import the political conflicts of their native land.

Third, British firms in other parts of the Far East, whose interests have been adversely affected by recent political developments, are looking for new or alternative spheres of activity.

By far the biggest existing industrial undertaking is the extraction of oil carried out by three Shell subsidiaries. Production is currently running at the rate of 3,500,000 tons a year, making the Borneo fields the biggest producers in the Empire, although their production only represents just over 1 per cent of total world output. Before the war the main centre of exploitation was at Min in Northern Sarawak. Since the war it has shifted to Seria in Brunei. All the revenues from this rich industry are funnelled into the exchequer of this small British-protected Malay state, accounting last year for more than Malayan \$4,500,000 in royalties alone. Production is limited by shortage of pipeline and refinery capacity; but although reserves are believed to be extensive, it is understood that no great increase in production is contemplated in the immediate future. There are plans, however, for increasing refinery capacity—which at present can handle only half the output—by building a refinery on the island of Muara in Brunei Bay together with a port for tankers. At present the oil is piped into tankers standing three miles off-shore at Lutong, where the existing refinery is located.

The biggest scheme still in the planning stage is one for damming the

Padas river on the west coast of North Borneo and constructing a huge hydroelectric works. It would involve the creation of an artificial lake covering 75 square miles, the boring of a tunnel six miles long to get the necessary fall in the water, and the building of a port at a more northerly point on the shores of Brunei Bay. The estimated cost is in the neighbourhood of £40,000,000, and the period of construction would be at least five years. There appears to be no insuperable engineering obstacle to the project, and the problem of labour could be solved by judicious selective immigration.

The final decision on such a long-term undertaking, involving such a heavy capital investment, will probably depend on the course of political developments in Asia during the coming months. If the turmoil in the Far East increases, and if Communism continues to spread on the Asiatic mainland, not even the remote northern corner of Borneo can hope to remain permanently insulated. The planners hope that, if the scheme does go through, a supply of cheap power will attract other enterprises, and that the shores of Brunei-Bay will become the site of quite a considerable industrial concentration.

There are also schemes for putting several large areas of North Borneo under irrigated rice cultivation making use of the mechanical methods employed in Australia and the United States. Here, too, a heavy capital outlay is required, for which the only available resource would seem to be the Colonial Development and Welfare Fund. The Government has taken the sensible line that the first thing to do is to start a limited experimental project. After three years of discussion and argument between London, Singapore and Jesselton, this is at last going into effect.

These and other schemes have earned Jesselton the reputation of being the home of pipe-dreams. But the rice project, whether it is located in North Borneo or elsewhere, is clearly of the utmost urgency if the British territories in South-East Asia, all of which are big importers of rice, are not going to be permanently dependent for their imports on potentially hostile Asiatic Governments.

The economic problems facing Sarawak and North Borneo can be expressed succinctly. They are twofold: firstly, to increase their rice production to the point of self-sufficiency instead of, as at present, being obliged to import

half their requirements; secondly, to find alternative crops to rubber as the main source of revenue. Both at present are poor agricultural countries. During the past three years they have been able to dip into reserves and draw freely on grants from the Treasury and the Colonial Development and Welfare Fund. The time is fast approaching when they will have to be able to balance revenue and expenditure. While expenditure has increased enormously, both in enlarged social services and personal emoluments, compared with before the war, there has been no corresponding increase in revenue, and it is still dependent to a dangerous degree on continued prosperity in the rubber industry.

The chief difficulty in increasing rice production lies in the reluctance of the great majority of the more primitive peoples, who practise a shifting type of cultivation on the hillsides, sometimes known as "dry" padi farming, to take up "wet" padi farming making use of irrigation. "Dry" padi farming not only produces low yields, but, as at present practised, is extremely destructive to the timber resources of the country and is steadily converting much of southern Sarawak into a barren wilderness covered with rank grass. Since the whole way of life of these more primitive peoples is based on this type of agriculture, the one cannot be changed without the other.

The agricultural departments of Sarawak and North Borneo, both of which are severely handicapped by a shortage of trained staff are tackling this problem in various ways, giving special attention to a long-term programme of demonstration and what might be termed agricultural education. As regards alternative crops, much is hoped for from pepper and sago in Sarawak and from hemp in North Borneo. Before the war white Sarawak pepper was highly regarded in Mincing Lane, where the Japanese owned hemp estates on the East coast of North Borneo were the only ones in the Empire producing hemp on any scale. All south-east Asia colonies, including Malaya, are also interested in cocoa, in view of the virus which is laying waste the West African and West Indian industries, although little has been planted so far, and it is five years or more before the trees come into bearing. But there is no one crop which can take the place hitherto held by rubber, and the economic position of these territories is bound to be unsound as long as so many of their eggs are in one basket.